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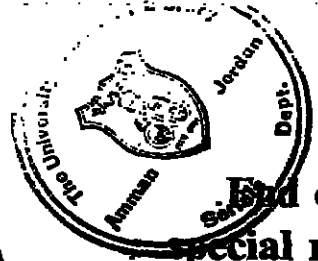
# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,157

Friday October 28 1983

D 8523 B



End of Britain's special relationship with U.S., Page 15

## NEWS SUMMARY

### GENERAL

#### Ministers study Soviet offer

Nato defence ministers meeting in Canada agreed to reduce the alliance's nuclear stockpile of old warheads by 1,400 and were yesterday studying the latest Soviet offer to limit the number of missiles in Europe.

President Andropov's offer is being viewed as a last-ditch effort to prevent deployment of U.S. cruise and Pershing 2 missiles next month. New elements are an offer to cut the number of SS-20s in Europe from 243 to 140 and to freeze on the Far East number at 108.

President Andropov repeated that the Soviet Union would liquidate any missiles removed from Europe. Page 6

#### Nicaraguan attack

Nicaragua's Caribbean port of El Bluff was attacked by right-wing forces in motor launches on Tuesday night. No serious damage was caused.

#### Chile protest curbs

Chile's President Gen Pinochet introduced a law making organisers of protests responsible for any violence which takes place on them, for which they can be jailed or deported. Protests are due to take place today.

#### EEC arms move

The European Parliament passed a resolution urging EEC countries to develop a common policy for buying and selling arms. Page 5

#### Typhoon hits ship

A U.S. oil drilling ship with 79 people aboard disappeared in a typhoon in the South China Sea off the Vietnam coast. Page 3

#### Argentine violence

Violence between Argentina's Peronists and Radicals has begun to mar the closing stages of the election campaign. The poll is on Sunday. Page 6

#### Brazil wages rise

Brazil's Government conceded new wage levels for middle class earners which will increase the nation's salary bill by 77 per cent. Annual inflation is 175 per cent. Page 6

#### Sudan coup plot

Egypt's Al-Ahali newspaper said 12 Sudan military officers were arrested three weeks ago after discovery of a coup plot against President Nimeiri. Page 4

#### Zapu chief ruling

Zimbabwe's high court ordered the release of opposition Zapu party MP Vote Moyo, seized on June 15 last year and detained without trial since.

#### Spanish crackdown

Spain's Government plans to restructure the chain of command in the armed forces to bring them more firmly under its control following last month's sacking of a general who criticised the Government.

#### Turkey jails Kurds

A military court in Diyarbakir, eastern Turkey, jailed 94 Kurdish militants, including a former mayor of the city, for up to 24 years for fighting to establish an independent state. Turkish poll, Page 3

#### Briefly...

Seismic signals from Siberia were believed by U.S. scientists to be an underground nuclear test. Portugal imposed an \$8 departure tax on travellers. Page 17

### BUSINESS

#### Ford in turnaround to \$331m profit

FORD, the U.S. car maker, aided by higher sales, reported a third-quarter profit larger than the \$325.4m it lost in the third quarter last year. Ford earned \$331.1m or \$1.83 per share in the latest quarter, compared to a \$325m or \$2.70 per share loss in the same period last year. The company said sales in the latest period increased by almost 28 per cent to \$10.29bn.

JAPAN's three major integrated electrical appliances makers reported improved earnings in the first half of September 30. Hitachi's profits surged 19 per cent to ¥89.51bn (\$385m). Toshiba was up 2 per cent to a record ¥46.52bn (\$201m) and Mitsubishi projects full year profits to rise 5.2 per cent. Page 18

DOLLAR fell to DM 2.618 (DM 2.6185), SwFr 2.123 (SwFr 2.1235), Y232.55 (Y232.5) but rose to FFf 7.985 (FFf 7.98). Its Bank of England trade-weighted index was unchanged at 126.4. In New York it closed at DM 2.6188; SwFr 2.1237; FFf 7.9725 and Y232.65. Page 37

STERLING fell 25 points to \$1.494. It fell to DM 3.9125 (DM 3.9225), FFf 11.925 (FFf 11.9425), SwFr 3.1725 (SwFr 3.185) and Y347.5 (Y348.5). Its trade weighting was 83.5 (83.6). In New York it closed at \$1.4950. Page 37

GOLD fell \$4.5 in London to \$383.625. In Frankfurt it fell \$5.25 to \$384.75 and in Zurich \$9 to \$384.5. In New York the Comex November settlement price was \$386.2. Page 36

SILVER prices tumbled again to their lowest levels since November. The London bullion spot price was cut by 57.4p to \$75.80p (\$8.60) an ounce. Page 36

WALL STREET: Dow Jones index closed down 1.73 at 1,242.07. Report, Page 27; full share listings, Pages 28-30

LONDON: FT Industrial Ordinary index rose 4 to 694. Government Securities were hit by profit taking; longs fell by up to 1/8. Report, Page 27; FT Share Information Service, Pages 31-34

TOKYO: Nikkei Dow index jumped 76.54 up to 9,321.09. Stock Exchange index put on 5.53 to 683.68. Report, Page 27; leading prices, other exchanges, Page 30

HONG KONG's leading banks cut prime lending rate by 1 point to 15 per cent. Page 3

AUSTRALIA's annual inflation rate fell to 9.2 per cent in September, 2 points lower than in June. Page 4

U.S. Securities and Exchange Commission proposed extending its rules covering the brokerage business to those U.S. banks which plan to offer brokerage services "in house". Page 16

BRAZIL is setting up its own computer industry in collaboration with French group Bull. Page 16

AUSTRALIAN Guarantee, the country's largest finance company, increased net earnings a modest 1.2 per cent in the year to September 30. Page 18

GROUPE BRUXELLES Lambert launched the biggest ever rights issue on the Belgian bourse of Bfr 6.7bn (\$126m). Page 17

CALIFORNIA video game maker Activision tumbled to a \$7.9m operating loss in the third quarter against profits of \$8.8m in last year's third quarter. Page 17

DAIMLER-BENZ lifted sales revenue 2 per cent to DM 29.2bn (\$11.2bn) in the first nine months. Page 16

KAISER STEEL and the acquisition group led by Joseph Frates have reached agreement with a rival group led by Irwin Jacobs. Page 17

## Interim rule planned for Grenada as fighting ebbs

BY WILLIAM CHISLETT IN BRIDGETOWN, BARBADOS, AND REGINALD DALE IN WASHINGTON

SIR PAUL SCOON, the Governor-General of Grenada, was last night ready to head an interim government after he returned to the Caribbean island. The U.S.-led invasion force reportedly overcame yesterday the last of the resistance from the island's armed forces.

Sir Paul had been earlier taken off Grenada by the U.S. naval task force after the invasion on Tuesday. In Washington, a White House spokesman said the U.S. had feared that Cuba had been within a few days of significantly increasing its military presence on Grenada when the U.S. forces invaded.

Officials said that U.S. intelligence had detected the arrival of top-level Cuban military advisers on the island on Monday and feared that an influx of combat battalions would quickly follow.

In Paris yesterday Sir Geoffrey Howe, the British Foreign Secretary met Mr George Shultz, the U.S. Secretary of State for private talks on the invasion. Sir Geoffrey claimed afterwards he had received an undertaking from Mr Shultz that the process of consultation between London and Washington would improve.

Mrs Margaret Thatcher, Britain's Prime Minister, tried yesterday to put up a more robust defence of her Government's handling of the Grenada affair, but she failed to put an end to arguments in the House of Commons. Page 16. Mr Shridath Ramphal, Commonwealth Secretary General, said meanwhile that his organisation was planning to replace U.S. troops on Grenada as soon as possible. Details; UN debate; UK constitutional puzzle; Students return to U.S., Page 6

He said he had reached a clear understanding on the need to maintain "effective and better procedures of consultations." As allies, the U.S. and Britain were "united in common purpose but we disagreed on this occasion as allies sometimes do," he added.

M Claude Cheysson, the French Foreign Minister, declined to discuss the affair with Mr Shultz, despite France's particularly strong condemnation of the invasion on Wednesday.

On the island itself, the impending conclusion of the fighting was signalled when a large contingent of Grenadian soldiers surrendered to the invaders at Fort Frederick.

The army headquarters near St George's, the capital. The old colonial fortress was the last important pocket of resistance. Sporadic fighting continued, however, near the new Cuban-built international airport at Pointe Salines.

U.S. officials in Washington said there were still pockets of resistance, including a military area on the east coast and the Richmond Hill prison, where several dozen hostages were being held. The White House expressed confidence, however, that military operations would be over by last night.

The Pentagon yesterday revised the number of American service-

men killed in the fighting to eight, with eight missing and 39 wounded. Mr Caspar Weinberger, the Defence Secretary, said three helicopters had been shot down, one of which had limped back to the helicopter carrier USS Guam, waiting off-shore.

Explaining the background to the invasion, Mr Larry Speakes, the White House spokesman, said "the Cubans were not the reason," but he added that the U.S. troops had found evidence suggesting a planned Cuban military build-up on the pattern followed by Cuba in other parts of the world, such as Angola and Ethiopia. They had found more than 1,000 Cubans on the island, almost double the number claimed by Mr Fidel Castro, the Cuban leader.

Other U.S. officials said that as many as 400 Cubans may still be at large on Grenada.

On Capitol Hill, the Democratic-controlled House of Representatives accelerated moves to bring the invasion force under the scope of the 1973 War Powers Act, giving Congress a say in the deployment of U.S. forces abroad.

Continued on Page 16

## Ministers reaffirm Lebanon role

BY PAUL BETTS IN PARIS

FOREIGN MINISTERS of the U.S., Britain, France and Italy gave a public display of unity yesterday by reaffirming their commitment to maintain the multinational peace-keeping force in Beirut.

Although they did not raise the issue of the U.S. invasion of Grenada at the meeting, called to discuss the future of the multinational force in the wake of the bomb attacks against the U.S. and French headquarters in Beirut, the issue was raised in private conversations between Mr George Shultz, the U.S. Secretary of State, and other ministers.

Sir Geoffrey Howe, the British Foreign Secretary, claimed he had received an undertaking from Mr Shultz for a better process of consultation between London and Washington after his private talks yesterday with the U.S. Secretary of State.

Sir Geoffrey, who was briefed by Mr Shultz on the situation on the ground in Grenada, said it was now important that the U.S. action should be brought to a swift and successful outcome, that the U.S. forces withdraw as soon as possible

and that conditions are established for democratic elections on the island.

On the Lebanon, Sir Geoffrey said there was broad agreement for maintaining the role and scope of the multinational peace-keeping force.

This consensus was also reflected in a statement by M Claude Cheysson, the French Foreign Minister. He said the meeting had enabled the four countries "to reiterate the support of our governments for the multinational force". Mr Cheysson also called on all factions to seek a reconciliation at the talks opening in Geneva on Monday between the different Lebanese groups.

Diplomats attending the meeting said that there were fewer differences than expected between the four countries at yesterday's meeting.

Fighting between the Lebanese army and Amal, the local Shia militia, erupted in south Beirut as opposition leaders gathered in Damascus to co-ordinate strategy at next Monday's crucial national reconciliation conference in Geneva. Page 4



M Claude Cheysson

The recent shift in the U.S. attitude to President Amin Gemayel appears to have improved the climate between the four countries.

Washington now appears intent on putting pressure on the Lebanese President to adopt a more flexible position in the negotiations with opposing factions. This is regarded as a key factor in an eventual reconciliation.

The ministers also agreed yesterday on the need to involve in the reconciliation process all parties directly affected by the crises. Moreover, there was consensus that the Lebanese issue could not be treated separately from the wider Arab-Israeli problem.

M Cheysson said the international community will have a growing role to play in Lebanon, especially in the reconstruction of the country. The main differences between the four countries appear to focus on how to deal with Syria. At the meeting, differences again emerged between the U.S. and France on the question of retaliation by the multinational force when attacked. The French Foreign Minister criticised the U.S. for adopting a more aggressive approach to the problem.

Continued on Page 16

## Du Pont and ICI show sharp gains

BY CARLA RAPOPORT IN LONDON AND PAUL TAYLOR IN NEW YORK

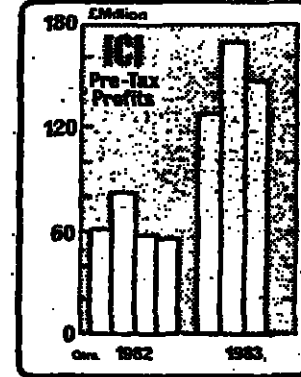
DU PONT and ICI, two of the world's largest chemical companies, yesterday reported sharply improved earnings for the third quarter.

Du Pont, the leading U.S. chemical group, said profits rose by 60 per cent to \$312m or \$1.30 a share on the strength of higher sales, gains from the sales of assets, and a doubling of operating profits in the chemicals, plastics and special products businesses. The comparable 1982 figures were \$195m and 82 cents.

ICI's pre-tax profits of £147m (\$320m) were more than 2½ times the 1982 level of £58m. Sales advanced from £1.8bn to £1.8bn.

The British group's worldwide petrochemicals and plastics business, which had been in loss of nearly three years, broke even during the third quarter. ICI said, however, that trading in many of its principal businesses remained difficult.

At Du Pont, Mr Edward Jefferson, chairman, said that the third quarter was the strongest quarterly performance since the final period of 1981. He said 1983 as a whole was expected to show a substantial improvement over last year and that



the company expected the gains to continue next year.

The earnings gain, which follows similar sharp profit surges at other major U.S. chemical companies including Dow Chemical and Union Carbide, came on sales which increased by 7 per cent to \$8.8bn from \$8.2bn.

The latest quarter helped to lift Du Pont's net earnings in the first nine months to \$786m or \$3.28 a share on sales of \$28.3bn compared

Continued on Page 16

Lex, Page 16; pharmaceutical industry, Page 10

## UK to cut stake in Cable & Wireless

BY DOMINIC LAWSON IN LONDON

THE UK Government is to continue its programme of disposal of state-owned assets with the sale of around half its stake in Cable & Wireless, the international telecommunications company.

Earlier this week, speculation that the Government was about to dispose of about 100m shares in Cable & Wireless had caused the company's shares to weaken on the London stock market.

The Cable and Wireless share sale might be the final part of the plan by Mr Nigel Lawson, Chancellor of the Exchequer, to raise about £1.25bn (\$1.87bn) from the disposal of state-owned assets this financial year. So far, the Government has received a total of about £300m from the second instalment of the Britoil sale, and the offer last month of 130m shares in BP, and will receive £20m in part payment

for the Wyth Farm oilfield. That leaves about £340m to find, equivalent to about 130m Cable and Wireless shares at last night's closing price of 28p.

Such a sale would reduce the Government's stake in Cable and Wireless from 45 per cent to about 16 per cent. It lost control of Cable and Wireless in March, when the company issued 30m shares in part payment for a 34.8 per cent stake in Hong Kong Telephone.

An immediate sale of shares would not represent good timing by the Government, as the company's share price has been hit by doubts concerning the future of Hong Kong.

The Government has promised that the company will not be allowed to fall under foreign control.

Continued on Page 16

## CIT-Alcatel seeks to widen markets through deals in UK

BY GUY DE JONQUIERES IN GENEVA

CIT-ALCATEL, France's leading telecommunications manufacturer, has launched a major effort to negotiate collaborative agreements with one or more British telecommunications companies in an attempt to widen its international markets.

Executives of the French company say that they have recently approached the General Electric Company (GEC), Plessey and Racal with a variety of proposals, including joint marketing of certain products, manufacturing licensing deals, and co-operation on long-term development projects.

The moves follow the recent reorganisation of the French electronics industry, which has given CIT-Alcatel control of the telecommunications business of the country's other major equipment manufacturer, Thomson CSF.

The reorganisation was resisted by the French post office (PTT), which wanted to keep two separate national suppliers. The PTT has said that it wants to maintain competition by opening as much as 30 per cent of the domestic market

to foreign suppliers, provided it can persuade other European countries to do the same.

Though France has begun talks with West Germany on such an arrangement, they are expected to be lengthy and their outcome is uncertain. Some industry observers believe that, if no agreement can be reached soon, the French PTT may act to open up its national market anyway, exposing CIT-Alcatel and Thomson to keen foreign competition.

CIT-Alcatel's talks with British manufacturers may, therefore, be partly a defensive strategy. The company considers the UK to be the most promising potential partner in Europe because of the opportunities offered by the recent liberalisation of its telecommunications market.

CIT-Alcatel, which claims to have received orders for more digital telephone exchange lines than any other supplier in the world, is competing for two major switching contracts in the UK. It has indicated that, if it is successful, it will be pre-

pared to share some of the manufacturing with a British company.

One of the contracts is to be awarded soon by the Hull Telephone Company, Britain's only independent local telephone operator, which plans to renew its entire network of public exchanges. The other is due to be placed by Mercury, the privately financed business communications system.

CIT-Alcatel is understood to have discussed with Racal the possibility of joint manufacture of its E-10 digital telephone exchange. Racal, whose main businesses are defence and data communications equipment, makes no telephone exchanges at present, but is interested in entering the business.

The French company is also considering proposing to GEC and Plessey plans to co-operate in developing a new generation of public exchanges which would supersede the E-10 and Britain's System X in the 1990s. It argues that no one company will be able to afford the huge development costs on its own.

Bull venture in Brazil, Page 16

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EUROPEAN NEWS

Irish public spending warning

By Brendan Keenan in Dublin

A WARNING that grave and controversial decisions on public expenditure would have to be taken was given at the end of a two-day parliamentary debate on the Irish economy. The warning comes as ministers struggle to keep public spending next year below £17bn (£5.5bn), which includes almost £2bn (£1.6bn) for debt servicing.

The debate was marked by the most formidable attack on government economic policy mounted by the opposition leader, Mr Charles Haughey, since he lost office a year ago.

He claimed that the Government was making no progress in balancing the public finances, while its deflationary policies were producing "an economic wasteland" with almost 20 per cent unemployed.

Dr Garret FitzGerald, the Prime Minister, disputed this, saying that Exchequer borrowing this year would be 3 percentage points lower at 12.5 per cent of gross national product. He admitted that radical measures, including work-sharing, would be needed to tackle unemployment.

Ireland's financial problems have been worsened by the fall of the punt against the U.S. dollar this year. This added £600m to the foreign indebtedness, which stands at £56.7bn.

French capital goods sales fall 20%

BY DAVID MARSH IN PARIS

THE BLEAK state of investment demand in the French economy was dramatically underlined yesterday with the announcement of a 20 per cent volume fall in domestic sales by the country's leading capital goods manufacturers in the first half of 1983.

M Pierre Bataille, chairman of the French capital goods producers' association, said 1984 was likely to deal the industry a further blow on

account of the sluggish French economy and falling public sector orders.

He called for urgent government measures to stimulate demand in public works and other basic industries, warning that France faced "the path of under-development" unless action was taken.

Even after the large drop in sales between the first halves of 1983 and 1982, M Bataille—who until May was chairman of France's leading hydraulic ex-

cavator-maker, Poclain — said forecasts of customer demand for 1984 were "dramatically bad."

The only relatively bright spot concerned exports, which dropped only 7 per cent in volume in the first half compared with the same period last year.

As a result of an even bigger decline in imports, the capital goods sector's foreign trade balance showed a surplus

of FFf 2.3bn (£190m) in the first half, slightly up from 1982.

The association groups companies are involved in the mechanical handling, public works, materials, steel and foundry sectors.

Overall, first-half turnover came to FFf 5.6bn, down 12 per cent in volume terms from last year, and the companies' combined workforce dropped 10 per cent or 21 per cent from 1977 levels.

Netherlands coalition defies union protests

By Walter Ellis in Amsterdam

THE DUTCH Government will not be deterred by industrial action from cutting public sector pay and most welfare benefits. Mr Herman Ruyter, the Finance Minister, said yesterday.

Rail, post and telecommunications workers are operating works to rule in protest at the planned cuts. But drivers are staging 24-hour strikes and may take part in a national bus stoppage on November 4.

Customs officials, cargo inspectors, radar operators and other public sector workers are threatening to bring the port of Rotterdam to a standstill. Even the police have hinted at a possible no-go. The main body of civil servants is also considering a protest.

Mr Ruyter recently confirmed the intention to prune the size of the 1984 budget deficit by reducing public sector pay and welfare benefits. The FNV, the larger of the main union federations, has virtually declared war on this approach. Even the smaller CNV has said it cannot accept such a large drop in members' standards of living.

The four teachers' unions announced yesterday they were ready to take industrial action because of proposed education budget cuts, which not only affect pay but in their opinion diminish the quality of education.

Athens offshore role questioned by social security ruling

BY ANDRIANA KEROMACONOU IN ATHENS

A U.S. architectural, design and planning company, MDM Design Group, is pulling its international headquarters out of Athens, after being ordered by a Greek court to pay Dr 10m (£71,000) in retroactive social security contributions. The money is being claimed by IKA, the main state social security fund, for the company's non-EEC employees.

The case has triggered a new crisis in relations between the Greek Socialist Government and the nervous offshore business community. Many executives believe it could spell the beginning of the end of Athens as an important offshore centre for the Middle East.

Offshore companies have been exempt under a special directive from IKA contributions for their non-EEC personnel, and have fought hard to retain that

privilege under the Socialists, who were thinking of revoking it. The exemption was introduced by the military junta in 1967.

The companies are particularly worried because they believe the case contradicts private government assurances that they will continue to be welcome in Greece.

Ministry of National Economy officials insisted yesterday that the MDM case is one of a kind and does not signal the start of a witch hunt against offshore companies.

The Socialists are as keen as previous administrations to develop Athens as an alternative to Beirut for companies operating in the Middle East. The approximately 400 offshore concerns based in Greece bring in about \$250m a year in foreign exchange.

EEC output of crude steel up in September

BY PAUL CHESERIGHT IN BRUSSELS

EEC crude steel production increased in September, the first monthly rise since May, but over the first three-quarters of the year output was down 8.3 per cent on the same period of 1982.

The latest figures, published by the Statistical Office of the European Communities yesterday, underline the plight of the industry in the face of reduced markets. They explain the increasing tensions in the administration of the EEC's regime of crisis controls over the industry.

An index of production levels puts output in August at 75.1 (1975=100), compared with 95.3 at the end of last year, 107.4 at the end of 1981 and 108.3 at the end of 1980. Construction industry executives yesterday said that demand was still falling and that

they saw little chance of an upturn in the near future. Construction, often used as an economic barometer, is a major user of steel products.

The EEC statistics show that there was some increase in orders for the industry during July and this raised the level of orders above the running total for 1982.

During September, output topped 9.5m tonnes, bringing EEC crude steel production to 79.7m tonnes for the first three-quarters of the year, compared with 87m tonnes for the same period of 1982.

The trade statistics are not so up-to-date, but show that during the first quarter of this year, imports from outside the EEC were 13.1 per cent lower than in the comparable period of 1982, while exports were down 5.9 per cent.

Belgrade quiets criticism

BY OUR FOREIGN STAFF

THE YUGOSLAV League of Communists central committee meeting this week did not proceed with an expected party purge but decided to prohibit any further debate on the long-term economic stabilisation programme approved by Parliament in July.

The aim is to stop debilitating internal conflicts between the

many vested interests and the various republics over such key elements as foreign exchange allocations, monetary policy, taxation and pricing policies.

The party and government came under strong criticism for not ironing out existing difficulties or getting rid of those not able or willing to carry out agreed policies.

Trapped Soviet ships freed

By Anthony Robinson

THE SOVIET merchant marine appears to have successfully freed most of the nearly 90 ships which earlier this month risked having to pass the arctic winter trapped in ice.

Most have made their way to Murmansk where they will be inspected and repaired. Many of them will then sail to Vladivostok.

The loss of one ship, the crippling of another and various degrees of damage to many more is expected to lead to a re-examination of long-term plans to make the northern Arctic Sea route an all-year all-weather service.

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Support for anti-missiles groups wanes

By Our Amsterdam Correspondent

THE DUTCH peace movement is losing a day of protest tomorrow against the siting in Europe of new U.S. nuclear missiles.

Some 400,000 took to the streets on the same issue 18 months ago in Amsterdam and initial forecasts by the peace movement of the likely turnout tomorrow in The Hague varied between 500,000 and 1m. This week, however, the talk has been of equalling the Amsterdam rally, and anything significantly below must be accounted a failure.

The signs are that many more Dutch people are willing to accept the weapons than was the case even 18 months ago. Recent opinion polls have indicated a hard core of rejectionists numbering perhaps 38 per cent of the adult population. Last year, 76 per cent said they could not accept the missiles.

The long campaign, concern about the intentions of the Soviet Union and a feeling of horror at the inevitable have mobilised many opinions.

A majority of the Dutch probably still disapproves of cruise deployment and resents the position in which the country has been placed, but more and more appear to believe that there is no alternative.

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Created for small to medium sized businesses, or departments of large companies, it can communicate with other terminals, minicomputers or mainframes, locally or remotely, as well as supporting a wide range of programming languages such as Cobol, Fortran, Basic and Pascal.

In fact, from a sheer performance viewpoint, the Fortune System 32:16 has more in common with a minicomputer. The operating system it uses, for example, is UNIX, the powerful and internationally

accepted system normally found only on large computer systems. Yet just like an ordinary microcomputer, it is easy to use, compact and competitively priced.

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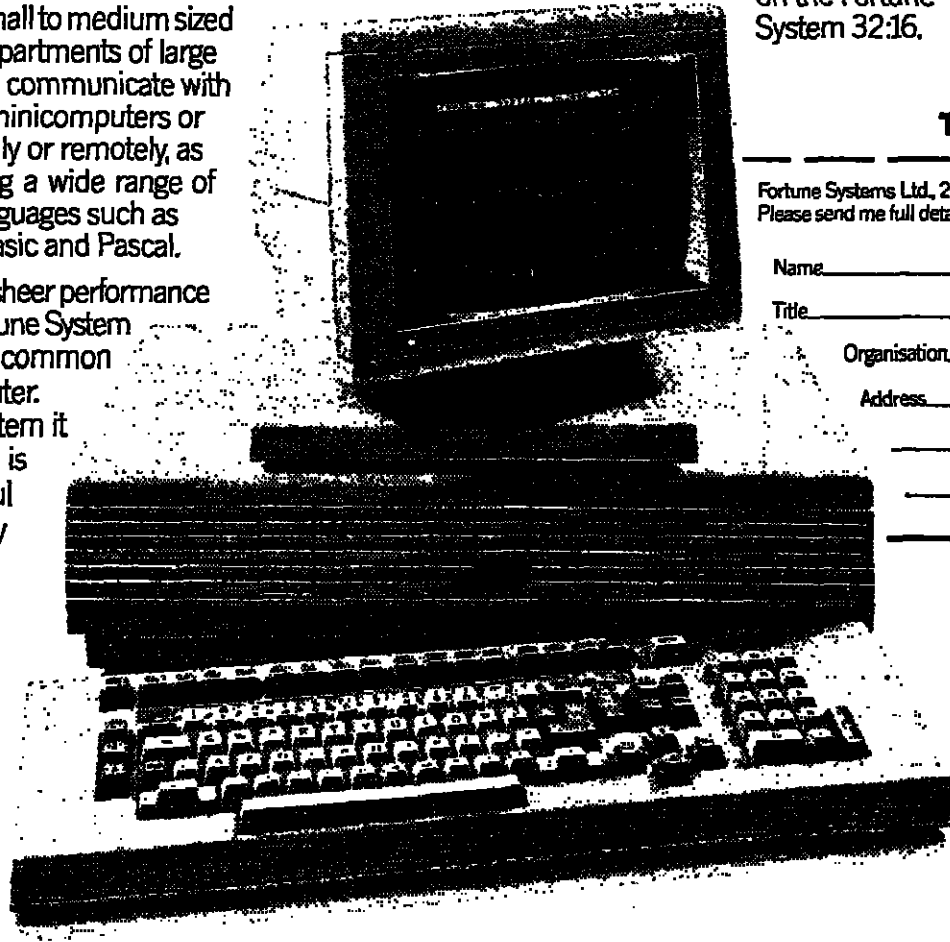
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## EUROPEAN NEWS

Tight military control has ensured a quiet campaign, writes our Ankara Correspondent

## Turkey drags its feet to the polls

THERE is not an election poster in sight. Indeed, politicians who hand them out are questioned by the police. The television campaign consists of a sedate panel discussion between the three party chairmen.

Not only casual visitors, but even Turks themselves find it hard to believe that the country's first general election campaign since 1977 is under way.

As with the referendum last year in which the military won a 91 per cent "yes" vote for their new constitution, the general election has turned into a sort of plebiscite on President Kenan Evren's administration and the political system he has created.

The military are stung by accusations in Western Europe that the election will not be a free and fair test of opinion, yet even in Turkey many ordinary people privately question how meaningful it will be.

Still, voting is compulsory and the vast majority of the population is expected to turn out on November 6. If the ousted political leaders of the pre-coup parties, Mr Suleyman Demirel and Mr Bulent Ecevit, have their way, the rank and file of the dissolved Justice and Republican Peoples parties, will spoil their ballot papers.

Instructions have even gone out on how to do so. RPP followers will simply leave the vote blank. Justice Party voters will doubt stamp the paper.

This may happen in some of the middle class areas of the big cities. But, by and large, Turks will probably vote for one of the three parties allowed to contest the election.

In rural areas this may be because voters have generally always voted as they are told to do and the 1983 election—the first to be held under martial law in three decades—will be no exception.

In more developed areas, fear of being identified as a dissident and sheer lack of guidance, combined with the sense that a spoiled vote is a wasted vote, will probably cause the average voter to plump for one or other of the parties.

There is no doubt though that the average Turk—unlike in last year's referendum—does not relish this election. Crowds attending the meetings of the three leaders have been thin and sometimes visibly organised. There is none of the surging enthusiasm which greeted

the Motherland Party has circulated small brochures of questions and answers throughout the country. It has also released 20,000 video cassettes to be played in coffee houses. The move is being challenged as a possible violation of the election laws introduced earlier this year.

For much of the campaign, Mr Ozal has enjoyed the tremendous advantage of seeming to be the one candidate with a spark of independence from the military. None the less, his speeches begin, like those of his rivals, with praise for the military revolution of 1980.

All three party leaders, Mr Ozal, Mr Turgut Sunalp of the NDP and Mr Necdet Calp of

the Motherland Party, follow the military in stressing that their first goal is to combat terrorism. Mr Ozal and Mr Calp, however, offer a mixture of social and economic policies which they claim will strike at the social roots of political violence.

Mr Sunalp rests his case firmly on law and order and even more police measures than Turkey has seen so far. It is not an obviously popular prescription for an electorate which feels inclined to thank the soldiers for restoring calm to the streets but is desperately eager to see daily life "civilianised."

For most Turks, martial law has come to mean the tyranny of the petty official in a whole range of activities, from traffic control (the army has given traffic police powers to fine motorists) through working on Sundays (banned by town councils headed by military appointed mayors) to the universities, where over-centralisation seems to be producing chaos.

Mr Sunalp's asset is very simple. He enjoys the tacit support of President Evren and his party is referred to as a "state party". This explains why, when asked who will win, many Turks say the NDP, even though voters who actually support it are thin on the ground.

One opinion poll this week suggested that it might command only 10 per cent of the ballot. Another showed that 70 per cent of Turks are still undecided.

Mr Sunalp, however, has shown himself to be a very weak candidate for the Prime Minister's office. Described by his admirers as a "general's general," he has little feeling for civilian life and institutions. His skirmishes with the Press at news conferences have not endeared him to them, and he is hampered by the breach between the military and Mr Suleyman Demirel who undoubtedly continues to dominate the Turkish right of centre behind the scenes.

Mr Ozal until very recently appeared to be having it all his own way with the public. He was the only party leader whom the average Turk could name or recognise on television. Though his mixture of Islamic traditionalism (of a very discreet kind, calculated not to offend Turkey's generals) and monetarist economic policies

may not have looked like a vote-winner in Turkey of the 1980s, Turks did keep on coming back to the fact that Mr Ozal was known to be tolerant.

A vote for him would keep Mr Sunalp out and amount to a clear signal in favour of civilian rule.

However, one of the surprises of the televising of the campaign is that it has reinstated Mr Necdet Calp the former Under Secretary to Prime Minister Bulent Ulusu, as a credible alternative. Until now, most voters on the centre-left had tended to dismiss Mr Calp as a bogus liberal nominated by a loyal opposition, and derided him as being incompetent and ineffective.

Two strong performances on television, widely praised in the Turkish Press, seem to have demonstrated that Mr Calp may not be such a weak candidate after all. If centrist and left-wing voters do decide to back him as the least unpalatable alternative, Mr Calp could be in business.

There are two right-of-centre parties in this election, but only one with any potential appeal to the 41 per cent of Turks who voted social democrats in 1977. The military, meanwhile, are ensuring that Press coverage of the election is dutiful rather than passionate. Newspapers have been warned not to inject an undue element of criticism into their coverage. Drawing attention to a sensational fashion to the lacklustre campaign and low turn-out at meetings, for example, is forbidden. But for this, there might be a general public mood of revulsion which would have breathed life into the campaign for spoiled ballot papers.

Agreements with Parempra, whose status as a "company hospital" was strengthened earlier in the year, are replacing special contracts, signed by lame duck companies with local banks, which rarely worked.

The Government has introduced a departure tax for people leaving the country of Esc 1,000 (£5.37) for an adult and Esc 500 for people under 18. Only diplomats, Portuguese emigrants and those leaving the country for less than 72 hours will be exempt.

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## OVERSEAS NEWS

## Confusion in Japan as political drama departs from the script

BY JUREK MARTIN IN TOKYO

JAPAN'S political drama departed radically from script yesterday as confusion reigned over whether or when Mr Yasuhiro Nakasone, the Prime Minister, would have a face-to-face session with Mr Kakuei Tanaka.

Yesterday morning, Mr Nakasone emerged from a second strategy session with party leaders to announce that it had been decided that he should go in person to confer with the former Prime Minister, whose conviction on October 12 in the Lockheed bribery trial has brought Japanese political life to a standstill.

Mr Nakasone merely said he wanted to talk to Mr Tanaka "as an old friend," even though he recognised that to do so could damage his own political reputation.

He did not, however, say whether he would ask Mr

Tanaka to resign his seat in the Diet, though Japanese political commentators immediately assumed he was bound to.

The meeting, secretly arranged on Wednesday night by Mr Tanaka and Mr Susumu Nakai, secretary-general of the Liberal Democratic Party and an old Tanaka confidante, was initially expected to take place in a matter of hours.

However, yesterday afternoon, Mr Tanaka consulted with members of his parliamentary faction, who reported the astonishing news that he had had second thoughts and was postponing meeting Mr Nakasone, though perhaps by no more than a day or two.

Mr Tanaka felt, it was explained, that both men might lose "prestige" by too hasty a confrontation.

The whole affair suggests that the LDP hierarchy, and perhaps even the normally imperturbable Mr Nakasone himself, is becoming a little rattled by the current political imbroglio; that the Prime Minister, who has tried to stay above the fray and focus on the imminent visits of West German, American and Chinese leaders, should volunteer to broach Mr Tanaka in person seems a high-risk proposition.

The key appears to be the persistence of demands from inside the LDP that something has to be done about Mr Tanaka. This was given full voice at a big fund-raising party in Tokyo on Wednesday night by two factional leaders, Mr Toshio Kameoka and Mr Takeo Fukuda, who had 5,000 supporters roaring approval with their demands for reform of the political system.

China has sent 11 naval and commercial ships into the area to search, along with aircraft. Xinhua said that "no sign of the ship has been found."

It is believed that there are about 40 Americans aboard and that the remainder of the crew are Chinese.

The Glomar Java is leased by the Atlantic Richfield Company (Aroco) and has been exploring for oil immediately below Hainan Island for about a year.

The U.S. consulate in Canton said that an aircraft had picked up a faint distress signal from the ship.

An indefinite ban on the import of electronic products and components for local assembly came into force immediately. Fresh fruits and alcoholic drinks were also banned. Limited imports of canned fish and meat are still to be allowed. All foreign entertainment and sports events with cash prizes are banned.

The Manila duty-free shop was ordered to surrender 35 per cent of its receipts. It is allowed to import only up to 65 per cent of its receipts sold to the central bank.

The moves came after a cabinet meeting chaired by Mr Cesar Virata, the Prime Minister. The government also reminded the Ministry of Energy to enforce strictly oil-conserving measures to reduce petrol imports which reached \$2.1bn last year. They are the country's biggest drain on foreign exchange.

The last two weeks have seen the Hong Kong dollar stabilise around the level of \$7.80 to the U.S. dollar. They are the apparent success for the new method of exchange-rate sup-

port introduced by the Government on October 17.

The Government's new monetary policy is to fix a price in U.S. dollars — currently \$7.80 — at which banks can issue or redeem Hong Kong dollar notes in transactions with the Government's exchange fund.

Hong Kong stock markets have reacted positively to the interest rate news. Anticipating yesterday's move, the Hang Seng index rose 25 points and a further 17.43 points yesterday to close at 815.28.

## U.S. ship with 79 crew goes missing off China

BY MARK BAKER IN PEKING

A U.S. oil drilling ship with 79 people aboard has disappeared in a typhoon in the South China Sea.

The official Chinese news agency, Xinhua, reported yesterday that the ship, Glomar Java, went missing during a typhoon of hurricane force south of Hainan Island, near the Vietnamese coast.

The U.S. consulate in Canton said that an aircraft had picked up a faint distress signal from the ship.

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## Shipyard rescue talks in Lisbon

BY DIANA SMITH IN LISBON

LISNAVE, Portugal's once-thriving shiprepair yard, has begun negotiations with Parempra, the state-owned organisation that co-ordinates rescue operations for companies in grave financial straits.

The company employs 6,000 people but expects enough repair work to keep only 4,000 in work. It also has an annual payroll of Esc 6bn (£32m), and interest on its accumulated debt of Esc 30n.

The company, which only two years ago was Portugal's third largest foreign currency earner with exports of Esc 8.95bn (£48m) is working on a deal

with Parempra that, in return for financial assistance at subsidised interest rates, will bring reduced working hours and a possible loss of 2,000 jobs.

The world shipping crisis has reduced Lisnave's orders, and workers who tried to force payment of back salaries through constant strikes, have compounded its problems. Earlier this year, workers forcibly prevented three repaired foreign vessels from leaving the yard, harming Lisnave's reputation and frightening off prospective clients. Until recently, the yard lay idle but had to carry its full payroll of 6,000 hands.

Agreements with Parempra, whose status as a "company hospital" was strengthened earlier in the year, are replacing special contracts, signed by lame duck companies with local banks, which rarely worked.

The Government has introduced a departure tax for people leaving the country of Esc 1,000 (£5.37) for an adult and Esc 500 for people under 18. Only diplomats, Portuguese emigrants and those leaving the country for less than 72 hours will be exempt.

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## OVERSEAS NEWS

## MIDDLE EAST IN TURMOIL

## Fighting breaks out in Beirut as peace strategy is discussed

BY PATRICK COCKBURN IN BEIRUT

FIGHTING between the Lebanese Army and Amal, the local Shia militia, erupted in south Beirut yesterday as opposition leaders gathered in Damascus to co-ordinate strategy before next Monday's crucial national reconciliation conference in Geneva.

The meeting in Damascus brought together Mr. Nabih Beiruti, the leader of Amal, and the leaders of the Syrian-backed National Salvation Front which includes Mr. Walid Jumblatt, the Druze leader.

The original purpose of the long-delayed reconciliation conference was to establish a broad-based government which includes the Opposition leaders.

If the conference fails to make progress, diplomats in Beirut believe that the ceasefire, which ended the recent war, will be decreasingly effective.

The bomb attack on the U.S. Marines has already led to a marked increase in tension in the capital.

The Shia areas of south Beirut, a near-independent

Syrian and Israeli troops were massing yesterday along their frontlines in Lebanon's eastern Bekaa valley, according to the Lebanese national news agency. It said the Israelis were conducting manoeuvres and Syrian troops had been placed on full alert. A large force of Syrian tanks were seen moving across the valley. In Israel, military officials said that a Syrian-backed Lebanese faction called Islamic al-Amal was responsible for Sunday's bomb attacks on U.S. and French troops in Beirut. The leader was named as Hussein Masawi, whose ambition is to establish an Islamic republic in Lebanon.

enclave with a population of over 600,000 where no government soldier sets foot, have been expecting some form of attack

either by U.S. Marines or Lebanese Government forces.

This follows accusations by some U.S. officials that Amal was implicated in the bombing of the Marines.

Militiamen in the densely-packed suburbs of the capital have harassed the U.S. Marines near the airport with sniper fire and rocket-powered grenades for months. If the regular army tries to quash them, a move unlikely until after the Geneva conference, the Amal militiamen will certainly fight.

There will be many more marines killed if they attack us," said a man from the suburb of Bourj al Barajneh yesterday.

"They will not find it as easy as Grenada. This is Lebanon." At the marine base, the mood is still subdued as the surviving soldiers queue to phone their relatives in the U.S. for two minutes each. Amid the rubble of the marine battalion headquarters destroyed last Sunday, soldiers and construction workers are still looking for bodies.

## Iraq 'attacks Iranian civilians'

BY OUR MIDDLE EAST STAFF

IRAN claimed yesterday that Iraq had launched fresh missile attacks against civilian targets, killing nearly 80 people and injuring over 400.

The main target was said to be the town of Behbehani, 120 miles inside Iran. It confirmed, this would suggest that Iraq has taken delivery of new longer-range rockets. The Soviet-made

missiles used previously have a maximum range of about 80 miles. The week-long Iranian siege of the Iraqi town of Penjwin in the northern sector of the battlefield was maintained yesterday although the scale of fighting appears to have diminished.

Iran says it has taken over 900 prisoners during the offensive.

Iraq claims to have killed nearly 20,000 Iranian troops and revolutionary guards.

Captain Ehsanfar Hossain, the commander of the Iranian Navy, yesterday denied Iraqi claims that the approaches to the port of Bandar Khomeini at the head of the Gulf had been mined. He said shipping was operating normally.

## Opec wants to maintain ceiling

BY MICHAEL FIELD IN VIENNA

OPEC's ministerial monitoring committee yesterday recommended no change in the organisation's official production ceiling of 17.5m barrels per day (b/d) and no change in the members' individual quotas.

Dr. Mana Saeed Otaiba, Oil Minister for the United Arab Emirates and chairman of the committee, acknowledged that Opec was producing about 1m barrels per day above the ceiling, but said that the present state of the market

meant this was not serious.

The over-production, accounted for mainly by Saudi Arabia, Iran and Nigeria, is unlikely to have any serious impact on the state of the market or prices before next spring.

The extra output is going into oil company stocks, reflecting the fact that the ceiling almost exactly matches the non-Communist world's consumption of Opec oil, and the companies are not expected to

run down their stocks before the end of the winter.

By then, the market could be affected dramatically in one direction or another by, say, an escalation of the Iran-Iraq war, or the conceivable re-opening of the Iraqi pipeline through Syria, or a particularly cold or mild winter.

The monitoring committee will meet next in Geneva on December 6, the day before the next full ministerial meeting of the organisation.

## Australian inflation rate at 3-year low

By Michael Thompson-Noel in Sydney

AUSTRALIA'S inflation rate for the 12 months to September fell to 9.2 per cent, the lowest since September 1980, and a fall of two percentage points on the level for the year to June.

In addition, manufacturing output saw healthy rises in the September quarter. The increase in the consumer price index in the September quarter was 1.5 per cent—the best quarterly result since March 1978, and the lowest September quarterly gain since 1975.

Significantly, the Secretary of the Australian Council of Trade Unions (ACTU), Mr. Bill Kelly, said in Melbourne that the relatively small increase in inflation in the September quarter clearly meant that the Labor Government's price and incomes accord had been "cemented."

"If the accord is working, the rate of inflation will continue to be relatively low," he said. "It is the first sign that things are starting to fall into place economically."

Australia recently ended the nine-month wage freeze introduced last December.

## Oil discovery in Queensland

By Our Sydney Correspondent

AUSTRALIA has announced another significant oil discovery in Queensland, in the Cooper-Eromanga Basin, about 625 miles west of Brisbane.

Santos, one of the country's leading oil and gas producers, said the Nacowah South No. 1 well had flowed at a rate of 1,390 barrels per day. It declared the area a new oil field.

It is near the A\$150m (\$92m) Jackson oilfield, which is expected to produce about 13,000 barrels per day, and in which Santos has a 40 per cent stake.

Recently, BHP struck oil in the Timor Sea off northern Australia. Its Jabiru No. 1A find is estimated to contain recoverable reserves of 200m to 300m barrels.

Jabiru is regarded as Australia's most promising oil find since the Bass Strait discoveries of 20 years ago.

John Elliott, South Asia Correspondent, on New Delhi's upturn

## India's winds of change



THE MONSOON in India is often described as the country's real Finance Minister because of the power it wields over the economy. This year it is taking over some Prime Ministerial prerogatives as well: it is one of the major factors that might induce Mrs. Indira Gandhi to call a general election 12 months early at the turn of the year.

After four years of bad rains and harvests that have seriously hit India's economy, the current monsoon has been spectacularly good, and there are forecasts of bumper harvests in many states.

The overall strengthening of the country's economic position meant that in June India was able to give the International Monetary Fund (IMF) a rare bonus. It waived its right to some \$360m of its \$55bn extended fund facility which ends next year.

There are, however, still serious problems. Inflation is starting to move rapidly upwards, nearing 10 per cent, and Mr. Pranab Mukherjee, the Finance Minister, sounds less than confident when he declares that "I hope to keep the figure this year within single digits."

India also needs continuing substantial financial help from such sources as the IMF and World Bank, and while Ministers are reluctant to admit it publicly, they are worried about the cost of aid repayments due to start next year.

So, while the monsoon is a major factor in making the immediate economic prospects look brighter than for most of Mrs. Gandhi's current reign as Prime Minister, possible future problems could still remain, as one of her leading advisers says, "a grim prospect."

The Government, while trying to play down the seriousness of a steady increase in prices, knows that the good monsoon itself will aggravate the problem by increasing demand from farmers and others who will have more money to spend.

The Government is therefore tending to act on supply rather than demand to curb prices. Several million tonnes of wheat and rice have recently been imported, both to build up buffer stocks (which must be strong in an election year) and to keep down prices.

But the price problem is small compared with the troubles of a bad monsoon.

In recent years a lack of rain

caused serious food shortages, followed by a lack of buying power in agricultural areas. This then hit industrial production, which itself was additionally affected by a dearth of hydro-generated electricity and by the diversion of power for irrigation. Coal production was also depressed by electricity shortages, in turn affecting railway operations.

This cycle is now being reversed in the agricultural, energy, and manufacturing industries. Ministers are predicting that total grain production will reach a target of 142m tonnes in 1983-84 compared with 127m tonnes last year.

Reservoirs are filling, and the efficiency of power generation is slowly improving. The cost of irrigation will be reduced because less electricity is needed for pumping, and industrial production is benefiting from better electricity supplies and increased demand for tractors and fertilisers, for example.

Industrial growth, however, remains sluggish and India's deep infrastructure problems are still a major deterrent. Annual industrial growth stood at 4 per cent in May compared with 4.5 per cent last year.

Ministers have optimistically claimed that it might soon top 8 per cent, achieving up to 10 per cent annually over the next two years. Mr. Mukherjee says that he expects growth to reach 6 per cent this year.

But the country's caution about borrowing excessively

is not expected, however, to be firmly enough based to carry India through the years after it starts repaying its IMF and World Bank debts. A loan of a few hundred million dollars it will be negotiating with the Asia Development Bank next month may only help at the margin.

India's Reserve Bank said in its recent annual report that 1983-84 "promised to be a year of substantial improvement."

But it warned that action was needed in three areas: agricultural growth, foreign repayments and inflation.

Many experts in Delhi regard this cautious warning as a more realistic note to strike than the unexpected optimism voiced by Mrs. Gandhi recently in the U.S. when she said that India would not need special aid from international institutions after five years.

The problems that will have

abroad, coupled with a shortage of rupees at home, has slowed a number of projects. Development of the economy is being hit by a shortage of funds for such ambitious plans as public sector investment of \$975bn between 1980 and 1985.

In particular, advance work on several major power projects proposed for the seventh 1985-1990 economic plan have yet to be given the go-ahead because up to 25 per cent of the costs would have to be spent in the next couple of years. One or two downstream energy projects from India's oil and gas fields have also been slowed.

Oil from India's own resources is playing a growing role in the economy. India now produces 50 per cent of its oil needs, compared with 34 per cent three years ago. But there is debate about whether the Government should press on with expensive exploration and production in order to boost its balance of payments position at a time when world oil prices have fallen.

In addition to oil and the IMF loans, the balance of payments has also benefited substantially from a flood of investments by Indians living abroad. Attracted by a fixed 13 per cent interest rate, they have invested some \$200m in banks during the last eight months.

Mr. Mukherjee hopes to end 1983-84 with a balance of payments deficit of \$5.1bn to \$5.2bn compared with \$5.7bn in 1982-1983 and \$1.3bn in 1978-79. The Government also hopes for a 5 to 7 per cent growth in exports, excluding oil, after 2 to 3 per cent last year.

This improvement is not expected, however, to be firmly enough based to carry India through the years after it starts repaying its IMF and World Bank debts.

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The problems that will have

## THE MONSOON

THE MONSOON, derived from the Hindi word "mausam," is India's rainy season, writes K. K. Sharma from New Delhi. Monsoon winds sweep into the peninsula from the Indian Ocean from the south-west, hopefully bringing in the heavy rains on which the country's agricultural hopes depend.

They begin their inland progress in Kerala state in the south-west early in May and then gradually sweep across the subcontinent in the next few months before withdrawing to the Indian Ocean towards the end of September. The rain is heaviest in the coastal areas and hardly ever reaches Rajasthan, the desert state in the north-west.

Rainfall varies, from more than 380 inches in parts of Assam to less than 30 inches in Delhi, but farmers in almost every part of the country pray for their share.

After hitting the Himalayas, the monsoon retreats to the Indian Ocean, but this matters only to Tamilnadu in the South, the only state which gets rain from the northeast monsoon, which goes back to the Indian Ocean from October to complete the annual cycle.

to be faced in the medium term will be balanced by Mrs. Gandhi against the good short-term economic news as she assesses the wisdom of a dash for an early election. Other important factors will be political troubles in areas like Punjab and the possible growing visibility of the Indian opposition parties after their "unity" conference earlier this month.

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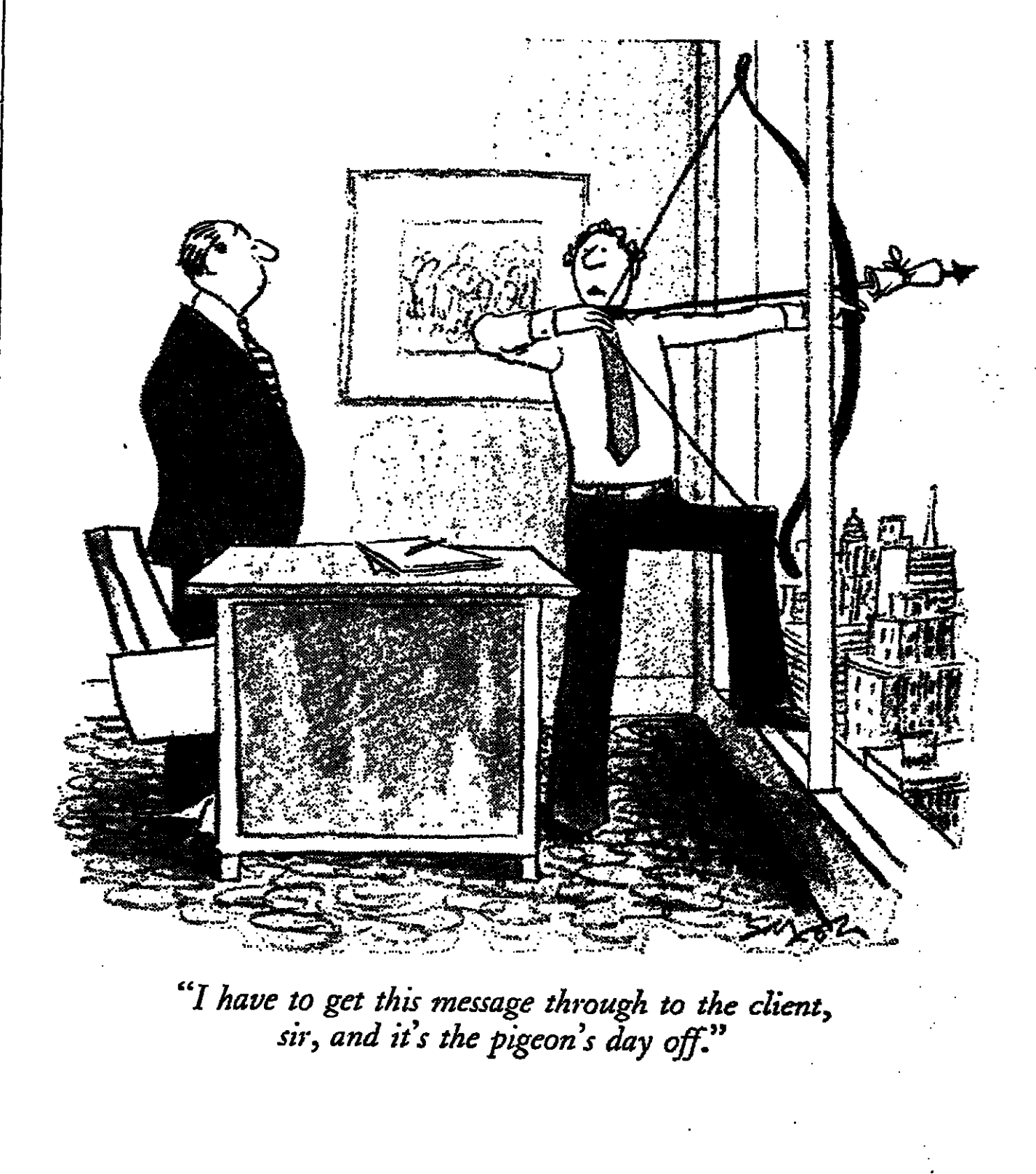
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## European parliament seeks joint policy on arms sales

BY JOHN WYLES IN STRASSBOURG

MEMBER-GOVERNMENTS of the European Economic Community have been urged to develop a common policy for the procurement and sale of armaments in a controversial resolution passed by the European Parliament.

Although there are doubts in some national capitals about whether arms and security issues are any business of the community, the parliament's stand this week will be welcomed by supporters of a more cohesive European approach in dealing with the U.S.

There were, however, sharp divisions within the parliament over a resolution stressing the importance of closer armaments co-operation as part of a common EEC industrial policy.

Socialists and Communists were strongly opposed, and the centre-right did not vote in its full strength, so the resolution was passed by a slender majority of 169-144 with 13 abstentions.

The resolution was based on a report compiled by the British Conservative MEP for Strathclyde West, Mr Adam Ferguson. It called on member-governments to set up an information clearing house on defence needs which would identify collaborative procurement possibilities.

The parliament also urged the expansion of dual production programmes with the U.S. under which European consortia would produce U.S.-designed equipment, with U.S. companies

producing European-designed equipment.

Addressing the Commission, the parliament insisted that defence industries be brought within the ambit of Community efforts to promote industrial co-operation and to stimulate research and development.

It also said that public procurement policies should be opened up to promote genuine competition between European suppliers.

On the vexed question of arms sales, the resolution called on the Community to establish rules governing supplies to the third countries, which would agree on restrictions on the export of certain types of arms to certain countries.

## Pratt and Whitney wins JAL order

By Paul Taylor in New York

UNITED Technologies' Pratt and Whitney division has won an order worth up to \$220m to supply its JT9D-7A fuel-efficient engines to power the fleet of Boeing 747s ordered last month by Japan Air Lines (JAL).

JAL is the 13th carrier to select the Pratt and Whitney engine for the twin-engine Boeing 747.

The Japanese airline placed firm orders for nine 747s last month and took an option on a further six jets in a deal worth \$560m.

Pratt and Whitney said yesterday that the contract to supply engines for the nine firm orders would be worth \$125m but if the JAL options were taken up the full value of the contract, together with spares, will be worth \$290m.

Last month Northwest Orient Airlines ordered two Boeing 747-200 jets to be powered by Pratt and Whitney JT9D-7Q engines.

Quintas announced plans to buy six new Boeing 767s but has yet to announce which engine it will use. Pratt and Whitney is competing with General Electric of the U.S. and Rolls-Royce of the UK for that order.

## TIE may set up UK plant

By Guy de Jonquieres in Geneva

TIE-COMMUNICATIONS, a fast-growing American manufacturer of small private telephone exchanges and key systems, may set up a factory and development facility in Britain.

Mr Thomas Kelly, TIE's chairman, said a firm decision would probably be taken in less than three years, depending on the growth of its UK sales.

The plant would involve an initial investment of more than \$10m (\$14.5m) and would be designed to supply the whole of Europe.

The company has already inspected several possible sites, chiefly in the North-east and North-west of England.

## Christian Tyler looks at one odd aspect of the North-South debate Caught in the web of MFA quotas

ASAD LARIK sells shirts from Pakistan to Western Europe—

at least, he sells as many as he is allowed to.

The shirts are cheap: as much as half the price of the European equivalent. But what Mr Asad's company makes from its annual \$10m worth in sales of shirts and other finished goods to the EEC, it pays for.

It spends hard cash to buy quotas and it spends time and nervous energy unravelling the numbing complexity of the quota rules set by the Multi-fibre Arrangement, or MFA.

Mr Asad has to understand things like "rollback," "swing," "carryover." Or he may find his wares subject to the "basket extractor mechanism." This is the jargon of the MFA, the system for controlling the amount of cloth and clothes that developing countries may export to the rich countries.

If it were not for MFA quotas, Mr Asad said, he could probably double his sale of shirts in Europe.

Mr Asad, who has an office in Frankfurt, centre of his biggest European market, was in West Berlin recently to promote the products of the Fateh Group, the large Pakistani textile and clothing manufacturer, which he represents.

He took space at a big trade fair—as he has done for several years now—where EEC and Scandinavian buyers come to see what the Third World has to offer the well-heeled European shopper.

But Mr Asad did not do much business because within two hours of the fair opening he had sold the whole of the special quota allotted to him for

taking a stand. Any further deal he fixed up could mean getting involved in "carryover" or perhaps "borrow forward"—

that is, juggling his share of this year's EEC quota for Pakistan with next year's.

He cheerfully confessed: "I don't believe in doing business at fairs. I come to get to know people. Contacts and education are more important." Part of that education is to cast an eye over what Pakistan's big competitors from the Far East are doing.

Every year the organisers of the Berlin fair for Third World exporters negotiate special

export promotion bureau to secure its share of the special quota handout.

This was a separate kind of transaction from the other, well known, practice whereby country quotas for exports to the EEC are auctioned off or traded between manufacturers, especially in the Far East. The MFA does not seek to prevent that, but it does forbid quota trading between countries.

The web of quotas and subsidies does not end there. The free-trading West German government, politically opposed to what it sees as short-sighted protectionism in other

countries to display in Europe goods which they cannot freely sell there.

To the Pakistanis, the system looks not so much absurd as downright unjust.

The net result of the EEC and developed world's policies," said Mr Mohammed Khan, Pakistan's commercial counsellor in Bonn, "is that they are restricting initiative in the developing countries to invest and to attract foreign capital because of limited access to export markets."

"For example, if you allowed us to sell our rice, you could have an agricultural revolution in Pakistan and the entire EEC could benefit, supplying agricultural equipment, packing plants, pesticides and chemicals."

Mr Khan rejects as simplistic the argument that developing nations must diversify to bypass EEC trade barriers. "Our grudge is that we are not competing with their quality, yet we are discriminated against."

"We also know what marketing is and what diversification is. But do you know what our constraints are? We don't have to be taught business theory."

Mr Khan broke off to deal with a Bavarian importer who was complaining about a consignment of (quota-free) handmade carpets from Lahore.

Then he returned to his theme with a comment that summarises the increasingly fractious debate between poor South and rich North: "It will be in the long term very, very harmful to us. It will also not be much use to the developed world either."

Mr Asad has to understand expressions such as "rollback," "swing," "carryover," or he may find his wares subject to the "basket extractor mechanism." This is the jargon of the MFA....

quotas with the EEC in order to provide some extra inducements for exhibitors. This year, the "exhibition quotas" were worth about 10 per cent on top of West Germany's share of the EEC's total allocation and had a sales value of around DM 130m.

Translated into shirts for the Pakistani exhibitors, that meant the two or three companies on the stand could dispose of about 60,000 extra shirts each.

The special quotas for the 63 countries attending the fair are published in the Federal Republic's official gazette, the *Bundesanzeiger*. Mr Asad's company forked out an "entry fee" of about 10,000 rupees (\$770) to the Pakistan Government's

Community states, pays up to DM 20,000 to each developing country that wants to take space at the Berlin fair—a total subsidy of about DM 1m.

The money is to defray the costs of travel, hotels and meals, which might be around DM 10,000 per exhibiting company.

The MFA is designed to give the declining textile industries of the richer nations time in which to "restructure." And, it is argued, the Third World should regard the quotas both as a chance to plan their exports and as an incentive to diversify out of goods like textiles. Yet there is something faintly absurd about paying firms from poorer

## Poland to go ahead with fertiliser plant

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND is to go ahead with the giant Police fertiliser plant, despite a break with the Creusot Loire engineering group which has been co-ordinating the project, and the termination of credit lines for essential purchases of capital equipment.

Mr Edward Grzywa, the Polish Chemical Industry Minister, said this week: "We will go ahead on our own." "Polish industry will provide some of the missing equipment and we can get the rest elsewhere for cash."

Mr Grzywa added, remaining adamant that Poland was not interested in resuming talks with the French.

Mr Grzywa was confident that the 1986 completion date would be held to. This is a full five years later than originally envisaged when work on the project started in 1976.

The fertiliser and ammonia complex, originally financed by a FFr 1.8bn credit, is to produce 800,000 tonnes of fertiliser a year and additional quantities of ammonia and urea when completed.

According to the *Polityka* weekly, FFr 220m are still needed to import equipment for the project. The break with Creusot Loire came after Poland stopped making credit repayments in March 1983.

Deliveries of equipment were halted by the French in June of that year and the group withdrew from Police last March at the same time as the original credit line was terminated, with only FFr 1.5bn taken up.

The problems facing Mr Grzywa are considerable, given the present squeeze on finance for hard currency imports of capital equipment.

Despite a planned allocation of FFr 92m for the project this year, only FFr 150,000 had actually been provided by Bank Handowy, Poland's foreign trade bank, by the end of June.

Poland is about to enter the final stages of talks with the Soviet Union on next year's

trade agreement, with numerous requests for increased deliveries of Soviet goods and little hope of having these satisfied.

In future, the Russians are to put more emphasis on purchases of Polish raw materials such as coal, thereby limiting Poland's ability to earn hard currency through coal exports to the West.

This emerges from an interview with Mr Stanislaw Wyhupek, the Polish official directly in charge of trade with the Soviet Union, published in *Ekonomiczna*, the Government daily, yesterday.

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## THE INVASION OF GRENADA

## Ramphal plans to replace U.S. troops

By Anthony Robinson

THE COMMONWEALTH secretariat is working on plans to replace U.S. troops in Grenada by a Commonwealth or Caribbean peace-keeping force "as soon as possible" with a view to maintaining law and order until elections can be held for a new Government.

Sir Shridath Ramphal, the Commonwealth Secretary General, said in London yesterday that he was looking for a withdrawal of the invading forces "within a matter of days or weeks, not months."

The U.S. Administration has said it hopes to form a new Government headed by the Governor-General Sir Paul Scoon, who is reported to have been flown back to the island by U.S. forces who earlier evacuated him from Government House yesterday.

But Sir Shridath cast doubts on the wisdom of relying exclusively on the Governor-General. "I do not think it is enough just to deal with Sir Paul. We must broadly consult with all parties in Grenada to ensure what is done has general approval," he said.

A spokesman added that the two men had spoken by telephone on Saturday about the situation in Grenada but at no time did Sir Paul ask for any kind of forces to be sent to the island, as has been reported elsewhere.

The exact composition of the proposed Commonwealth force has not been decided. But it is expected to exclude those Caribbean countries whose troops are presently part of the U.S.-led intervention force. The idea is to create a force which is acceptable to all parties and sectors of Grenadian life.

Mr. Scoon, Prime Minister of Barbados, whose troops form part of the intervention force, said yesterday that an interim government would soon be formed on the island. It would take three weeks or so to set up a computerised electoral register.



U.S. troops wait in the courtyard of the St George's School of Medicine for an incoming helicopter to transport their wounded to ships waiting offshore.

## Press coverage curbed

BY OUR FOREIGN STAFF

THE WAR in Grenada was the first occasion since World War Two at least, that the U.S. has entered a conflict without the presence of the international media.

While the U.S. involvement in Beirut and Central America is followed in every detail by the international press, the 300 journalists covering the events in Grenada are having to do so from the neighbouring island of Barbados.

Not only are journalists having to cover the war from 100 miles away, but the U.S. embassy and the military command in Barbados, from which the invasion of Grenada was launched, are giving out no information. Compounding the problem has been the overzealous attitude of the Barbados police. A Time magazine photographer was stripped naked by police who caught him taking pictures of the country's airport.

## UN moves to pass motion of censure

By Our United Nations Correspondent

AFTER two rounds of debate in the Security Council on the Grenada crisis, during which the U.S. alone defended the military action, a vote on a resolution of censure calling for an immediate withdrawal of the multinational force appeared to be imminent.

The resolution, jointly sponsored by Guyana, Nicaragua and Zimbabwe, was reported to be undergoing some amendments to make it as widely acceptable as possible, since only the U.S. was expected to vote against it. As a negative vote would represent a veto, killing the resolution, the Grenada issue could then be taken to an emergency session of the General Assembly, where each of the 155 UN members has equal voting rights.

While there was little doubt last night that the council resolution would receive well over the minimum of nine votes needed for adoption, in the absence of a veto, there was keen interest in Britain's position, in view of Anglo-U.S. differences on the matter.

Mr. Richard Luce, a Minister of State at the foreign office in New York for the General Assembly debate on disarmament, would say only that the British vote would be "as constructive as possible." Since support for a resolution condemning the invasion might be regarded as unconstructive, several observers interpreted Mr. Luce's remark as a hint of a British abstention.

France and The Netherlands also are members of the council. The French have been highly critical of the Grenada affair, but up to last night the Netherlands delegate had not intervened in the council debate.

Apart from the U.S., only Dominica, Jamaica and Antigua and Barbuda—none of which is a council member—sought to justify the military action.

## Proud students seal return with kiss

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

"I'VE ALWAYS been proud of America but I was never prouder than today." So Janet Bause of Detroit summed up the general sentiment of the first batch of emotional American medical students to be flown home from Grenada on Wednesday afternoon.

Some of them, to the confusion of their military escorts, fell to their knees and kissed the tarmac.

The students were divided about whether they had really been in danger before the U.S. invasion, but in one respect they were united, the greatest thing in their world was to be American, and the U.S. Army Rangers were the best saviours since the mounted U.S. Cavalry swept the Indian-infested plains of the old Wild West.

Support and sympathy for the military—and military families—has soared to a peak this week in the aftermath of Sunday's massacre of the Marines in Beirut. Around the nation, Marine recruiting offices

have been deluged with calls from young volunteers and veterans seeking to re-enlist.

In Southern California, one recruiting officer said that for every potential volunteer who had telephoned to back out: "We've had three calls saying 'send me to boot camp, or don't send me to boot camp, just send me to the war, I want to fight the war!'"

Conservatives have been glorifying a new-found heaven. "His finest hour," said Mr. Richard Viguerie, high priest of the Right, of Mr. Reagan's Caribbean venture.

But not everyone has rallied to the flag. Students—though in hundreds, not thousands—have demonstrated against the invasion on campuses across the country and further protests are planned in Washington in the days ahead. Liberal Democrats, some black leaders, churchmen and union officials have denounced as "butchery" and "gunboat diplomacy."

There is still a fairly widespread public impression, strongly denied by the White House, that the move against Grenada was intended to distract attention from—or even in some way to avenge—the Beirut disaster of two days earlier.

A quick ABC News poll showed 58 per cent approving of the invasion, with 35 per cent against. There is a common view that if Americans were really in jeopardy, it was right to save them. But when asked whether it was right for the U.S. to overthrow Marxist governments, 45 per cent said no and only 32 per cent agreed. The White House said that telephone calls to its switchboard had been running about 5 to 2 in Mr. Reagan's favour.

The major newspapers have differed sharply over Grenada. While the conservative Wall Street Journal praised the readiness to use force as "immensely liberating in future crises

around the world," the Washington Post questioned the desirability of the invasion and the New York Times criticised it sharply.

Most of the news media, however, has been preoccupied with the difficulty of covering a military operation on a distant island from which, at least during the height of the fighting, all reporters and cameramen were banned. Howls of rage went up over a refusal by Mr. Larry Speakes, the White House spokesman, to confirm that the surprise invasion was about to take place several hours in advance.

More justifiably, the media is now complaining at having been subjected to a campaign of secrecy and news orchestration after the initial event. A suggestion by one Pentagon official that the U.S. had learned from Britain's treatment of the Press during the Falklands campaign only further enraged the American correspondents.

## Crisis poses UK constitutional puzzle

BY MARGARET VAN HATTEM, POLITICAL CORRESPONDENT

THE PRIME MINISTER, Mrs. Margaret Thatcher, was yesterday quick to dissociate her Government from any request that may have been made by Sir Paul Scoon, the Grenadian Governor-General inviting the U.S. and East Caribbean Governments to invade the island.

But her carefully worded replies in the Commons left open the possibility that the request would have been made, as claimed earlier this week by the Dominican Prime Minister, Mrs. Eugenia Charles.

According to constitutional experts at Westminster, such a request would have been made in the name of the Queen as Head of State of Grenada, but would not implicate her as Head of State of Britain nor as Head of the Commonwealth.

The distinction is important insofar as it enables the British Government to dissociate itself from the invasion without com-

ing into conflict with the Crown. But it leaves the Government with another potential embarrassment on its hands. For if, as is now considered probable, the request was made, it could well be argued that the invasion was legitimate, under the terms of the United Nations Charter, contrary to what has been claimed by Westminster MPs on both sides.

The Government, under strong pressure in the Commons, has already made clear its disapproval of the use of force to resolve the problem in Grenada. But it now appears to have only political rather than legal or constitutional grounds for doing so.

The Government does not appear yet to have ascertained whether or not Sir Paul did request an invasion. But the mood in Whitehall yesterday was conciliatory. It was pointed out that the Governor-General was under heavy pressure—pos-

sibly in fear of his life—at the time and that the presence of armed Cubans on the island was far larger than originally thought.

The Government's main concern now is to help in the restoration of democratic government to Grenada and to re-establish the titular authority of the Queen, a task in which Sir Paul will play the pivotal role. As Governor-General, and as such the Queen's representative, he is the only person who can within the structure of the Commonwealth confer legitimacy on whatever government may seek to establish itself on the island.

The Queen cannot intervene directly since she cannot sack the Governor-General except on the advice of her ministers on the island and the only ministers with whom she can deal are those recognised by him. Thus any group wishing to establish itself as the Govern-

ment of Grenada but wishing to remain within the Commonwealth must secure the recognition of the Governor-General.

Constitutional experts have been drawing parallels with the 1975 constitutional crisis in Australia when the then Governor-General, Sir John Kerr, sacked the Whitlam Government. His controversial action arose when the Labour Government of Mr. Gough Whitlam, which had a majority only in the Lower House of parliament, had its funds blocked by the Upper House. To resolve the stalemate, Sir John took the unprecedented action of sacking the Government, dissolving Parliament and calling a general election.

However, the constitutional position—later upheld in successive legal challenges—indicates the same circular relationship between Crown, Governor-General and Government as exists in Grenada.

## OTHER AMERICAN NEWS

## 400 citizens who add up to \$118bn

BY ANDREW TAYLOR IN LONDON

THE BUSINESS of America is business and the best people tend to end up there. "The missing of one of the richest men in the U.S. sums up the confidence and optimism of a country where immigrants can still arrive with \$50 in their pocket, and end up worth more than \$500m."

The story and the quotation are contained in a recent issue of Forbes magazine, which has completed its annual study of the 400 wealthiest citizens: average 62, with a combined wealth of \$118bn.

The magazine's Richest Newcomer title goes to: "an obscure Korean immigrant named Kyupin Philip

Hwang who took a company named Tele Video Systems and found himself worth almost \$600m." Mr. Hwang said: "I can only lose \$50 in America because that's what I brought with me."

The title of America's richest man this year goes to Gordon Peter Getty, who has a minimum net worth estimated by the magazine at \$2.2bn. In second place was retailer Samuel M. Walton ("perhaps the most spectacular story of the year"), whose 41 per cent stake in Walmart Stores jumped 212 per cent in value, leaving the Walton family worth an estimated \$2.15bn.

## Nato studies Andropov missile offer

By Bridget Bloom in Montebello

DEFENCE MINISTERS from Nato countries meeting in Montebello, Canada, to decide on the future of the alliance's nuclear stockpile were yesterday studying Moscow's latest offer to limit the number of nuclear missiles in Europe.

The offer, made by President Yuri Andropov on Wednesday and apparently presented at the missile talks in Geneva yesterday, is thought by Nato officials, to be a last-ditch effort to prevent the deployment of the first new U.S. cruise and Pershing 2 missiles in Europe next month.

Ministers have so far refrained from public comment but officials note that the proposals contain two new elements. These are that the Soviet Union would reduce the number of its SS-20 missiles in Europe, from the present total of 243 to 140, and that they would freeze the number of SS-20s in the Far East at their present total of 108.

President Andropov also repeated that the Soviet Union would be prepared to "liquidate" any missiles removed from Europe and would also be ready to put forward flexible proposals on the inclusion of nuclear-capable aircraft.

Some observers see particular significance in Moscow's offer to reduce the number of missiles to 140, which, as President Andropov pointed out, is "noticeably less than the combined number of British and French" missiles.

## Senate blocks N-power finance

BY STEWART FLEMING IN WASHINGTON

THE U.S. Government has bowed to budgetary and environmental pressures and voted in the Senate to block a proposal to provide \$1.5bn finance for the Clinch River breeder reactor nuclear power plant.

The vote, on the controversial ten-year-old project is a setback for both the Reagan Administration, which has been pressing for the funds, and a further indication of the strength of

the opposition to the nuclear power industry.

Recently, a succession of planned nuclear power plants have been dropped or modified as a result of a combination of factors including soaring costs, weaker-than-anticipated demand for electricity, and environmental pressure.

Earlier this week, Dayton Power and Light in Ohio disclosed that it favours converting the Zimmer nuclear power plant, in which is a 31.5 per

cent stake, into a gas-fired unit which could be converted again into a coal-fired generator.

The Clinch River breeder reactor programme, which was authorised by Congress in 1972, has run into particularly heavy opposition in part because of its soaring cost, by the Congressional Budget Office at some \$8bn, compared with official projections of just over \$4bn, and with initial estimates in 1970 of around \$800m.

In addition, however, there has been fierce opposition to the breeder reactor design on the grounds that it requires plutonium fuel and when in operation would produce more plutonium than it consumed.

The Carter Administration had opposed the project partly because plutonium can be fabricated easily into nuclear weapons and that, therefore, the construction of breeder reactors would tend to facilitate the spread of nuclear weapons.

## Brazil confident of prospects for wage law

BY ANDREW WHITLEY IN SAO PAULO AND PETER MONTAGN ON IN LONDON

THE BRAZILIAN Government yesterday significantly improved its prospects of securing congressional approval for wage legislation, stipulated as a condition for resumption of lending by the International Monetary Fund and the country's international bank creditors.

After a week of negotiations between Government Ministers and leaders of the officially backed Partido Democrático Social, a new sliding-scale of salary adjustments, was announced.

First reactions to the new presidential decree No. 2085, which replaces the Bill issued after the defeat in Congress last Wednesday of the Government's original proposals, were generally favourable. Dissident members of the PDS, as well as congressmen from the small Partido Trabalhista Brasileira,

whose support is critical to the Bill's success, appeared to be behind the new measure within the next fortnight.

The latest salary adjustments reached the informal ceiling of 80 per cent of the official inflation index, previously regarded here as the minimum necessary to satisfy the IMF.

Unofficial calculations show that the total wage bill in state-owned companies has been permitted to rise to 87 per cent of the prevailing index. The impact on the salaried professional class, earning up to \$20,000 a year, has also been considerably diluted.

The International Monetary Fund is now believed to be under heavy pressure from commercial banks to be more understanding of the political

difficulties facing the Brazilian Government in the implementation of its wages policy.

Commercial bankers feel that Brazil should be given more credit for the austerity measures it has already taken and that the IMF need not withhold loans from Brazil if it fails to meet the precise targets for wages spelled out in its letter of intent.

So far, Mr. Jacques de Larosiere, the IMF's managing director, is still keen to see a wages law passed by Congress before the IMF board approves the new Brazilian programme on November 18. Failure to enact the legislation could delay this crucial vote.

Nonetheless, some commercial bankers feel that the IMF will be sensitive to the need for flexibility on the Brazilian case given the serious conse-

quences for the banking system of its debt rescue package falling apart.

The whole issue is likely to end up as a photo-finish. Governors of its debt rescue package fallments who are due to put a total of \$2.5bn in fresh loans into Brazil may not make final commitments before the meeting of deputies of the Group of 10 finance ministers now scheduled for November 17 in Paris — one day before the IMF board meeting.

Final allocation of the shares of this lending among individual governments could depend on the passage of legislation raising the U.S. quota share in the IMF through the Congress in Washington. It is felt that the other members of the G10 may be more willing to lend to Brazil if the U.S. is seen to play a full part in the IMF.

## Rival parties in Argentine poll clashes

By Robert Graham in Buenos Aires

VIOLENT clashes between supporters of the two main political parties, the Peronists and Radicals, have marred the closing stages of Argentina's election campaign.

There is concern that in the run-up to Sunday's poll, the violence might intensify. Over the weekend the state of siege, in force since 1974, is due to be lifted.

The clashes, involving militant Peronist youths, broke out after a rally in support of Mr. Raúl Alfonsín, leader of the Radical Party, held a rally in central Buenos Aires.

It was the biggest rally seen in seven years of military rule and confirmed Mr. Alfonsín's emergence as a major alternative to the Peronists who have dominated Argentine politics since the end of the Second World War.

After the rally, Peronist youths burned flags with Radical Party banners and attacked people leaving the demonstration. Police intervened but there were no arrests.

The main Peronist rally is due to be held in the capital today. Yesterday, Peronist supporters were driving through the streets of Buenos Aires in vans with loudspeakers urging people to attend the party's strength.

Party organisers said the rally would only be addressed by Mr. Juan Luder, the Peronists' leader.

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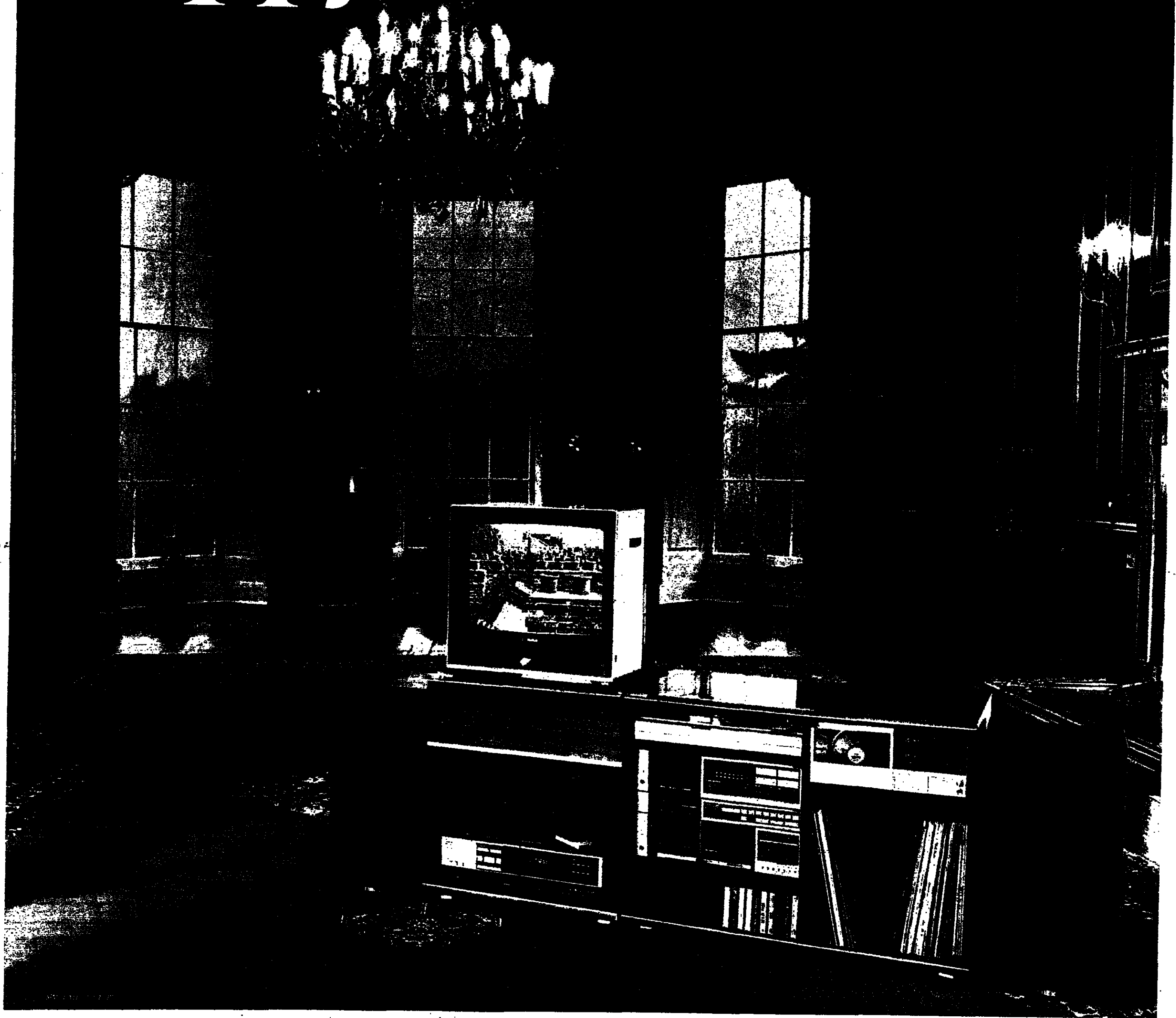
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For instance, the colour TV has been precision engineered to deliver sharp picture definition right through to the screen's corners. And it features a 17 function remote control and direct video input.

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And though Daphne Heaton-Smythe thinks "Wow" and "Flutter" are two dogs in the local hunt, her husband more sensibly realises the sound performance of Fisher high-fidelity is quite exceptional.

The system has outstanding features like direct-drive turntable, soft touch controls, 3-way speakers, and quartz locked synthesizer. It also boasts a twin deck cassette player with Dolby B and C and

a stereo amplifier with graphic equalizer and an impressive 40 watts RMS.

Of course, the pièce de résistance is the CD Digital Audio Player with soft touch controls, 16 selection programme memory, and forward and reverse track jumping.

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## UK NEWS

MOVE TO FREEZE £458m REPAYMENT TO UK

## Tory discord over EEC rebate

BY JOHN WYLES IN BRUSSELS

THE EUROPEAN parliament yesterday set out to freeze a £458m rebate on the UK's 1983 budget payments, in a vote which left the 60-strong group of British Conservatives stranded in embarrassing disarray.

After days of extraordinary agonising and backstairs-bargaining with other political groups, most Tories found themselves favouring the strategy supported by the vast majority of the parliament, but unable to stomach the proposed methods.

Fearing the wrath of Downing Street and possible political retribution in next year's Euro-elections, the majority of the Tories voted against freezing the British rebate.

But to the obvious discomfort of the group's leader, Sir Henry Plumb, up to a dozen rebels were among the 262 MEPs voting to put the payment on ice.

They were led by Mr Neil Balfour, who felt that as the Tories' negotiator with other groups he had won sufficient assurances that the British money could be freed at the end of the year, to justify backing the majority approach.

The strategy overwhelmingly endorsed yesterday aims at exploiting the parliament's power over the EEC budget to put the maximum pressure on member governments.

Waving a vague threat that it might reject the entire 1984 budget in December, the parliament wants

the summit in Athens at the beginning of that month to reach agreements on: refinancing the budget; solving the British budget problem; agricultural economics; and the development of new community policies.

In support, the parliament - in its first reading of the draft 1984 budget - has put into a special "freezing" category some 850m European currency units (Ecu) of the 16.5bn Ecu farm budget and some 1.2bn Ecu of special payments to the UK and West Germany.

The hope is that London and Bonn will be encouraged to raise the ceiling on EEC budget revenues in Athens in December.

The Tories fear that this will, in

effect, discriminate against the UK because the parliament does not have the power to freeze agricultural spending - and it knows it.

Thus, EEC budget ministers, when they meet next month, will restore the farm money and probably at least 746m Ecu of the money due to Britain and West Germany.

The parliament does have some control over the remaining 458m Ecu and it is possible that around £100m of the British rebate could be blocked if the parliament became locked in a prolonged dispute with the Council of Ministers.

The draft, given a first reading yesterday, added 548m Ecu to the 24.84bn Ecu draft spending plans so far approved.

FIGURES WERE JUGGLED, SAYS MP

## Biffen accused over takeover of Times

BY PETER RIDDELL, POLITICAL EDITOR

CALLS WERE made in the House of Commons yesterday by several MPs for a debate on fresh allegations about the takeover of Times Newspapers two years ago by Mr Rupert Murdoch's News International group.

The allegations arise from a new book, *Good Times, Bad Times*, by Mr Harold Evans, the former editor of the Times, and for 13 years editor of the Sunday Times. The book, published today, includes a number of charges about the circumstances of the takeover and the subsequent political and other interference with the editor.

During Commons business questions yesterday, Mr Neil Kinnock, the Labour leader, said there should be an early debate on the "serious allegations in Mr Evans' book that the Government allowed Mr Murdoch to acquire the Times on figures which Mr Evans alleges were 'intentionally a miscalculation' in respect of the profitability of the Sunday Times."

Later, Mr Robert Kilroy-Silk, a Labour MP, said there should be a statement on the "very serious allegation that the Leader of the House (Mr John Biffen), when Trade Secretary, deliberately misled the

House, when he juggled the figures of the Times to convey the impression that the Sunday Times was unprofitable, and thereby could avoid a reference to the Monopolies Commission."

Mr Biffen replied to these points that he had not seen the extracts, but he promised to take account of what had been said.

Mr Ian Wigglesworth, Social Democratic Party, unsuccessfully applied for an emergency debate. He said that if Mr Evans' allegations were true "then this House has been treated by Mr Rupert Murdoch and his company with utter contempt." Mr Biffen, he said, should now have the opportunity to say whether he was misled.

Mr Wigglesworth argued that in large part, the undertakings given to the Commons at the time of the takeover by Mr Biffen had been "broken."

In his book Mr Evans also alleges that Mr Murdoch sought the help of Mrs Margaret Thatcher, the Prime Minister, in disposing of him as editor of the Times through the offer of a public post. He also makes a number of charges of interference with the running of the paper.

## Overtime ban may speed pit closures, MacGregor says

BY JOHN LLOYD, INDUSTRIAL EDITOR

MR IAN MACGREGOR, National Coal Board chairman, last night warned the industry's 180,000 mineworkers that their overtime ban planned to start next Monday, might result in a more rapid closure of pits than now foreseen. He said maintenance was neglected and caused terminal deterioration.

He repeated that the board's offer of 5.2 per cent on basic rates was final and called on the National Union of Mineworkers (NUM) to "let their members decide the issue in their traditional way" - that is, by a national ballot vote.

In talks between the board and the NUM yesterday, chaired, in a breach of custom, by Mr MacGregor, Mr Arthur Scargill, the union president, made a 75-minute presentation of his case for a substantial rise, emphasising the shippage in comparative wages which he claims the miners have suffered.

But after a brief adjournment, Mr MacGregor returned to state flatly that the board was already living on money it did not have, and that he meant what he said: that his first offer was also his last.

After the meeting, Mr Mick McGahey, the NUM vice-president, gave a hint of tougher action when he said that the high stocks of coal held at the pithead would not be moved by transport workers in the event of a miners' strike. However, the threat of all-out action was not raised at the meeting.

Mr Scargill claimed that the overtime ban would cost the board between £10m and £15m a week and that the union stood ready to continue negotiations at any time.



MacGregor: 'First offer is my last'

Both the board and the NUM claim that soundings they have made in the coalfields show support for their positions. The board clearly believes that a ballot would show a majority willing to accept the offer - though the union shows no signs of putting the issue to the test.

Mr MacGregor said the support for industrial action shown by almost all the NUM's areas was "a mechanism" used in negotiation and did not necessarily reflect rank-and-file views.

He said that pits might close permanently if the overtime ban excluded maintenance work, since the managers and colliery deputies who would take over the work would soon become overstretched and be unable to maintain all the pits.

## Coal stocks mount to record of 58.4m tonnes

BY MAURICE SAMUELSON

BRITAIN'S record coal surplus rose by another 1.1m tonnes in September to reach 58.4m tonnes, more than half the country's entire consumption in 1982.

The official figures underline the opportunity with which the National Coal Board is facing the threat of an overtime ban by the National Union of Mineworkers.

Some two thirds of the surplus coal is stocked at power stations,

with most of the rest awaiting collection from the coalfields.

Although there was a 2.5 per cent rise in the amount of coal consumed in the three months to the end of September, the output of coal fell by 3.2 per cent over the same period last year.

By contrast, Britain's production of oil between June and August was 28m tonnes, 7.5 per cent or 2m tonnes, more than a year earlier.

## Strikers plan picket line despite court ruling

BY BRIAN GROOM

STRIKING SHELL refinery workers will mount a mass picket at Haydock distributional terminal, near Warrington, Lancashire, this morning, in spite of a High Court injunction aimed at stopping the secondary picketing.

Shop stewards from the Stanlow refinery, Cheshire, 26 miles away, who are on strike over a 4.5 per cent pay offer, claimed that their action would not be in defiance of the ruling made in London on Wednesday by Mr Justice Drake under the Employment Act, 1980.

The writs taken out by Shell are against Mr Howard Jones, chairman of the craftworkers' stewards, and Mr Ian Smith, the Transport and General Workers' Union chairman. They are restrained from organising the pickets at Haydock.

Shop stewards claimed last night that Mr Smith and Mr Jones were

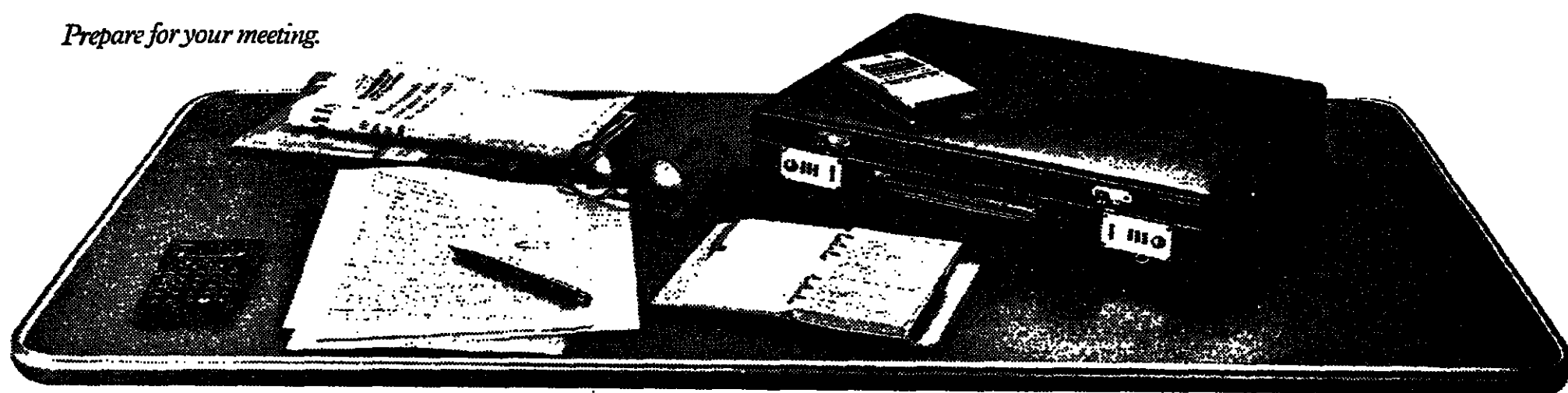
no longer involved in organising the picket. The stewards aim this morning is to get 100 pickets to the Haydock gates at 8am.

Tension is expected at the picket line because the 100 Haydock tanker drivers voted yesterday to work normally from today, after a warning from the company that they would no longer be paid if they continued to refuse to cross the picket line.

The mass picket is clearly in breach of the Government's picketing code, which limits numbers to six per gate. "We will have to see what the police do about it," Mr Peter Casey, a Stanlow union spokesman, said.

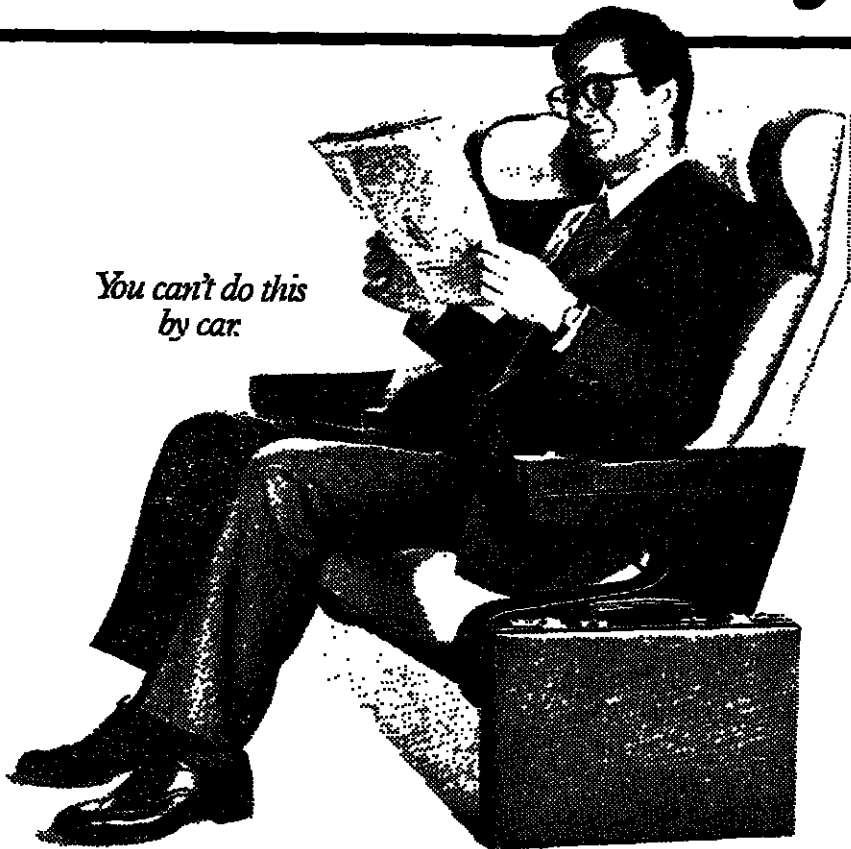
If Mr Smith and Mr Jones are considered by a judge still to be involved in the affair, and to have defied the injunction, they face heavy fines for contempt of court.

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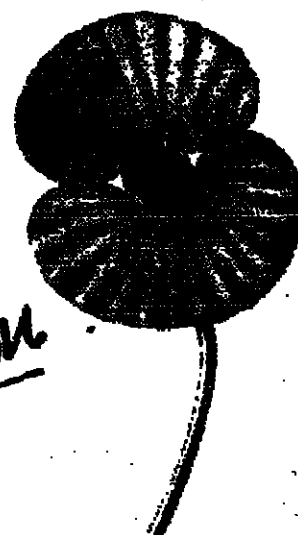


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## UK NEWS

## 'Sombre' industry record

BY JOHN LLOYD, INDUSTRIAL EDITOR

A "SOMBRE" picture of key areas in Britain's industrial performance is drawn by the National Economic Development Office (NEDO) in a study published today.

The document, the second of its kind, charts the position of UK industry relative to performance and other major economies over the past two decades.

Mr John Cassels, the NEDO's director general, says: "Certain aspects... are sombre. Unemployment has risen to very high levels. Profitability remains inadequate to permit the long-term investment and expansion necessary. The level of British industrial performance lags behind that of our major industrial competitors."

However, he singles out some recent successes: inflation down to a low level; an improvement in price competitiveness after a sharp deterioration in the late 1970s; an improvement in productivity in 1981 and 1982.

He says: "It will require great effort by all concerned to strengthen our position in world markets. But the opportunities are there and given a clear perception and determination at all levels, we can seize them."

A section of the report on overall performance shows a shift from manufacturing in all major economies, the largest of these being the UK. Services have increased in importance in all countries, with 60

per cent of activity in the UK now in that sector.

At the same time, private consumption in the UK is relatively high, remaining at 64 per cent of GDP over the last 20 years (1963-82). This compares with 66 per cent for the U.S. (up from 60 per cent in 1962) and 65 per cent for France (up from 61 per cent in 1962), but contrasts with 54 per cent in West Germany (53 per cent in 1982) and 53 per cent in Japan (61 per cent in 1982).

In international trade, the volume of Organisation for Economic Co-operation and Development (OECD) trade has tripled over the period 1964-81 - but much of this coincided with a decrease in the UK's share from 12 per cent to around 9 per cent in 1979, followed by an upturn to about 10 per cent in 1982. By contrast, Japan, West Germany and the U.S. have increased their shares.

Export shares of all the major countries have tended to rise over the period (although the UK's has shown a decline since the decrease in oil imports after 1976), while import shares have also tended to rise. Taken together, the comments that "these changes point to an increasing degree of integration in world economic activity over the period."

The investment balance shows a continuing and strong outflow of investment capital from the UK throughout the 1970s, with a sharp

increase in the rate of portfolio investment after the abolition of exchange controls in 1978. Oil company investment shows a positive balance from the end of the 1970s.

Productivity - measured in manufacturing output per man hour - has consistently been lower than most other major economies over the past 20 years, although with a relative improvement in the 1980s, on growth rates of 4 per cent.

Relative cost-competitiveness in the UK deteriorated very sharply in the last part of the 1970s, as wage inflation and the exchange rate both rose. Lower labour costs and higher productivity since 1981 have helped to reverse this trend, although the UK still occupies a relatively disadvantaged position compared with 10 years ago.

Real incomes in the UK have generally grown more slowly than in other European countries since the mid-1960s, but they decreased sharply in the mid-1970s then picked up sharply, only to fall once more in the 1980s.

Profitability has been consistently and significantly lower than other countries for the past 20 years. It remains so, although the rate shows a declining trend in all major economies. The NEDO notes that "in the long term this is a major disincentive to companies to invest."

(British Industrial Performance, NEDO, Millbank Tower, Millbank, London SW1P 4QX; £3)

## FT BANKING CONFERENCE

A means of delivery that 'allows small organisations to outperform large ones'

## Viewdata heralds bank revolution

VIEWDATA is to the building society and bank branch what the car was to the stagecoach - a new means of delivery which offered cost advantages and allowed small organisations to outperform large ones Mr John Webster, managing director of the Nottingham Building Society told a Financial Times conference on banking and electronic technology.

The Nottingham's Homelink service, developed with British Telecom and the Royal Bank of Scotland, had been able to offer a home banking and shopping service which was a revolutionary new type of business activity. Viewdata technology had given the Nottingham - a society with 80 branches in an 80 mile radius - a monopolistic package of services. They included the ability to cash cheques at 6,000 bank branches throughout the UK and access to 7,000 other outlets.

The Nottingham could offer "the world's first public building society banking and teleshopping service, open 24 hours a day seven days a week," he said.

Mr Webster considered that the lead was worth several years before any other organisation would have a fully tried, tested, workable and marketable service to match it.

The Nottingham was considering extending the Homelink system to Hong Kong which has a similar Prestel system as the UK, from January 1. Mr Webster said the society had also received inquiries from all over the world.

"We have reason to believe that it will not be long before other organi-

sations purchase the technology," he added.

Mr Alfred Richter, member of the board of management of West Germany's Verbraucherbank, said he believed that by the later 1990's half his customers would use home banking services and the rest would get their money from bank self-service stations.

The use of viewdata and self-service systems had already transformed the behaviour of clients and greatly reduced the amount of book-keeping of the bank.

Ninety six per cent of the customer's transactions took place on self-service machines. Sixty per cent of all transactions took place when the banks were actually closed. "The banking system in the Federal Republic of Germany is destined for the paperless transaction system," Mr Richter said.

Mr John Bignall, an area director of the National Westminster Bank said that managers in his area, who now had computer terminals on their desks, were impressed with the improvement in their efficiency, and were happily putting in their own information.

Mr Bignall was describing the effects of installing 10 IBM computers controlling more than 300 terminals and supporting some 250,000 accounts in the Epsom area. "With

both the accounting and non-accounting data on computer, the opportunities both for cost-saving and enhancement of service to customers are considerable if not enormous," Mr Bignall said.

Apart from offering better service, the "branch processor" reduced the tedium of many of the most tedious branch clerical tasks.

The future direction of money transmission systems or electronic funds transfer was still a matter for speculation, but there was no doubt about the use of processors in individual branches. "I am sure this development will be the basis for the biggest change within branch banking since computer accounting was completed in the early 1970s," Mr Bignall said.

Mr Ian Clark, UK Banking & Financial Services Manager for Digital Equipment Company, said that electronic cash management systems offered great advantages - such as reduction in idle balances or accuracy of funds transfer.

"I do not believe, however, that UK banks have got their pricing right," Mr Clark said. There was insufficient financial incentive for companies to move into the electronic field.

Other potentially valuable facilities such as foreign exchange monitoring systems and multi-national

exposure and planning modelling systems had not been fully developed yet, he believed.

He called for the next phase of electronic funds transfer systems to be developed in much closer harmony with the user.

Mr Carl Reuterskiöld, general manager of the Society for Worldwide Interbank Financial Telecommunication (Swift) said that Swift now had 1,100 member banks and was processing between 400,000 and 500,000 transactions on an average working day.

The great success of Swift, he said, had been built on a little-noticed but fundamental achievement - the creation of uniform international standards for banking transactions.

"The creation of a set of uniform international standards for banking transaction messages is the cornerstone of Swift's achievement, and the single element that has enabled international banking and financial communications to be automated to such a high degree," Mr Reuterskiöld said.

It was unwise for banks to try to build up their technological infrastructure that could be more effectively and economically operated on a co-operative basis or by outside suppliers.

"International electronic banking worldwide provides a great opportunity for networking - of sharing the cost of an infrastructure network system specifically designed by and for the banking and financial community," he added.

Mr Matthew Devlin, vice president of Citibank said that electronic banking was a necessity if you wanted to manage a bank account hundreds or even thousands of miles away.

With electronic banking you can be based in London and easily manage an account in New York, Tokyo or Frankfurt," he said.

But it was sensible to use a balance of old and new technology. For the purpose of control, the terminal was best but in many particular circumstances, it was still better to pay by cheque, Mr Devlin said.

"Just because we talk electronic banking doesn't mean to say we always have to push the whole of our wares of electronic funds transfer onto people," he added.

Banking has to take the fullest possible advantage of technology if it is to remain competitive, Mr Leif Mills, general secretary of the Banking Insurance and Finance Union told the conference.

The traditional British banking branch structure with a manager and an assistant and a hierarchy of clerical staff was no longer the most efficient nor cost-effective way of carrying on business. "The traditional career structure of those in banking is going to be inexorably altered," Mr Mills argued.

## Stressed expatriates return home early

BY LISA WOOD

UP TO one third of people stationed abroad by their companies are unable to complete their contracts and have to come home, a conference in London was told yesterday.

The conference, organised jointly by Guy's Hospital Medical School and Charter Medical of England, looked at the personal and commercial consequences of expatriate stress and breakdown.

Dr Richard Caplan, Senior Registrar at St George's Hospital said however, it would be excessive to think that up to 30 per cent of employees were returning because of psychiatric breakdown. Other factors included alcoholism, family and marital problems and an inability to cope with new demands.

Dr Caplan said one of the greatest worries of expatriates was with open contracts and not knowing when they were due to return to Britain. The length of time spent abroad was not as significant a factor.

Other speakers stressed the role of close contact between personnel

managers and expatriates. One organisation, it was said, ensured that employees on arrival abroad were welcomed by employees already in residence and paid a lot of attention.

Dr Raymond Gill, Medical Officer for the Bank of England spoke on the criteria of medical selection of potential expatriates.

Kidney problems, for example, could be exacerbated by dehydration with the formation of kidney stones which could involve temporary repatriation.

One speaker said his company was thinking of introducing screening for drug abuse. Dr J. A. Morgenstern, Professor and Chairman of the Department of Psychiatry, Mercer University School of Medicine replied that a drug user could skillfully avoid detection.

It was much more important for the doctor to be thorough in what he or she asked personnel with problem areas emerging in the individual's history.

## Bankruptcies at peak

BY DAVID DODWELL

BANKRUPTCIES AND company liquidations rose to peak levels in England and Wales in the third quarter of this year, according to figures released yesterday by the Department of Trade and Industry.

Company liquidations, seasonally adjusted, rose by 7 per cent from the second quarter to reach a record 3,700. The increase was largely a result of a 19.5 per cent increase in compulsory liquidations, the department said. These rose to 1,500.

Bankruptcies rose to 1,800 in the three months to September 30 - an 8 per cent increase on the second quarter and also the highest total recorded in one quarter.

Analysing bankruptcies for the first six months of this year, the department said that self-employed people accounted for 76.5 per cent of the total. Of these, construction and retailing businesses each accounted for 17 per cent of the total.

Hoteliers and caterers represented a further 10 per cent, and transport and communications 8 per cent. No comparisons with the first half of 1982 were available.

Among companies going into liquidation motor vehicles and filling stations, metals and engineering, and construction, each accounted for more than 10 per cent of failures.

## BASE LENDING RATES

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Anro Bank	9 1/2	Hill Samuel	9 1/2
Henry Ansbacher	9 1/2	C. Hoare & Co.	9 1/2
Arbuthnot Latham	9 1/2	Hongkong & Shanghai	9 1/2
Armed Trust Ltd.	9 1/2	Kingsnorth Trust Ltd.	9 1/2
Associates Cap. Corp.	9 1/2	Knowles & Co. Ltd.	9 1/2
Banco de Bilbao	9 1/2	Lloyds Bank	9 1/2
Bank of Ireland	9 1/2	Mallinell Limited	9 1/2
Bank of Kuwait (UK) plc	9 1/2	Edward Manasse & Co.	10 1/2
Bank of Cyprus	9 1/2	Wells Fargo & Co.	9 1/2
Bank of Scotland	9 1/2	Midland Bank	9 1/2
Banque Paribas	9 1/2	Morgan Grenfell	9 1/2
Banque du Rhone	10	National Bk. of Kuwait	9 1/2
Beneficial Trust Ltd.	9 1/2	National Girobank	9 1/2
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Cedar Holdings	10	Trustee Savings Bank	9 1/2
Charterhouse Japhet	10 1/2	United Bank of Kuwait	9 1/2
Citibank Savings	11 1/2	United Mizrahi Bank	9 1/2
Clydesdale Bank	9 1/2	Volkswagen Intl. Ltd.	9 1/2
C. E. Coates	9 1/2	Westpac Banking Corp.	9 1/2
Com. Bk. of N. East	9 1/2	Whiteaway Laidlaw	9 1/2
Consolidated Credits	9 1/2	Williams & Glyn's	9 1/2
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The Cyprus Popular Bk.	9 1/2	Yorkshire Bank	9 1/2
Dunbar & Co. Ltd.	9 1/2		
Duncan Lawrie	9 1/2		
E. T. Trust	9 1/2		
Exeter Trust Ltd.	10		
First Nat. Fin. Corp.	11 1/2		
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## THE PHARMACEUTICALS INDUSTRY

## How ICI is searching for a new blockbuster

By Carla Rapoport

A WELL-DRESSED chauffeur collects visitors to Imperial Chemical Industry's pharmaceutical division in Cheshire with a blue Ford Granada. His counterpart at ICI's Petrochemical and Plastics division in Welwyn drives a Jaguar with leather seats.

The driver in Cheshire makes no apologies for the cheaper car. "We've got 14 of 'em," he boasts. They lose the money down in Welwyn. Up here, we make it."

The chauffeur is right. ICI's pharmaceutical division accounts for less than a tenth of the company's sales. Last year, however, it supplied a stunning 38 per cent of the company's trading profits of £366m. (Petrochemicals and plastics, with the Jaguars and sales of nearly £2bn, turned in record losses of £139m.) This year, pharmaceuticals will make even more money.

Ranked just 23rd in terms of sales among the world's major drug companies, ICI Pharmaceuticals has nonetheless secured a hammerlock hold on nearly half of the \$1.2bn-a-year market for beta blockers, the world's best-selling heart drug. To the delight of ICI, this success has been scored at the expense of much bigger and better established rivals.

ICI's impressive attack on the U.S. heart drug market over the last three years has helped to double profits between 1980 and 1982 (see chart) and fatten profit margins to 27 per cent from 19 per cent. Booming beta blocker sales world-wide have helped to produce a 20 per cent compound growth rate in sales since 1973.

These successes, plus the tantalising prospect of a recovery in ICI's main businesses, have prompted an American-led stampede into ICI's shares. From 350p in the spring, the shares are now

trading at around 570p. Next Tuesday, the company will have its own listing on the New York Stock Exchange.

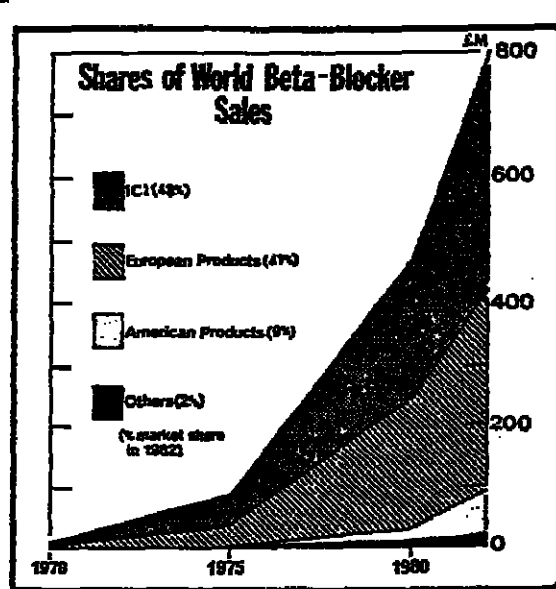
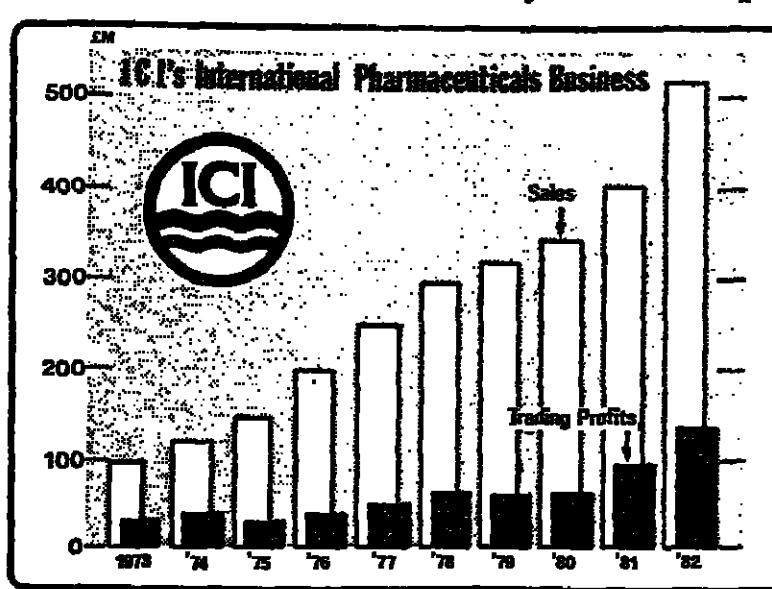
Many of ICI's newest investors, however, have the idea that they have bought a go-go drug stock, and pay little regard to the company's vast chemical businesses. A visit to Alderley Park outside of Macclesfield, Cheshire, home of ICI's drug division, would soon bring them back to earth. There, executives realistically acknowledge that continuous high growth cannot be assured.

Despite the group's success with beta blockers, ICI has not launched a new drug since 1976. No one at Alderley Park tries to hide this fact. Mr Peter Cunliffe, the division's chairman readily admits: "nothing we've got (in our new product portfolio) will sweep the world within two years."

The result is that ICI Pharmaceuticals is facing a gap of almost 10 years between the introduction of new drugs. This can be a serious problem, because drug companies work on long lead times. The beta blocker, for example, was developed more than 20 years ago.

It can take as long as 10 years to bring a new drug to the market and companies generally figure that their money-makers will run out of patent protection or become obsolete within at most a decade of their launch.

ICI is acutely aware of its need for another highly successful new drug. The division has been actively expanding both the size and geographical spread of its research and marketing activities. Promising advances in the cardiovascular and anti-cancer areas are filling up the new products pipeline and one of them could well provide.



ICI has already enjoyed remarkable good fortune with beta blockers. The division still expects at least another six or seven years of solid growth out of the product. This translates into at least two or three more good years of profit growth.

That said, newer heart drugs coming onto the market could abbreviate these projections. ICI is aware of this and other perils. "We would be extremely foolish if we said we can grow at the rate we are growing for the next 10 or 15 years. We are confident about the next few years, but no, I don't see that we have a biggie in the locker," says Dr Bill Duncan, the division's deputy chairman.

A dynamic Scot who clearly enjoys his work, Dr Duncan points out, however, that no one, least of all ICI, predicted

the vast market potential of beta blockers. These drugs were originally aimed at reducing the risk of angina attacks by slowing the action of the heart. Subsequently, they were discovered to reduce blood pressure, paving the way for large commercial success. The wide-ranging beneficial effects of lower blood pressure, however, were not fully accepted until the late 1970s, more than 15 years after Sir James Black developed beta blockers at ICI.

"The ability to predict biggies in this business is remarkably poor. Tagamet (currently the world's best selling drug with sales of \$1bn) was predicted to peak at about \$50m," Dr Duncan says.

The beta blocker has been a block buster of enviable proportions. The chronic nature of hypertension and the ailment's high incidence in Western

countries provided a rich mine for ICI's first beta blocker, Landerol, launched in 1965. Other, bigger companies were fast off the mark with their own beta blockers, but ICI managed to cling to its commanding share of the market by convincing doctors that newer, more expensive rivals were not necessarily better. Its more selectively-acting form of the drug, Tenormin, capitalised on ICI's success and is still sweeping up more market share in the U.S. and Europe.

Back home in Alderley Park, however, things were not going so well. Two extremely promising drugs, one for ulcers and another for arthritis, were dropped from clinical trials. In the case of the anti-arthritis, Clozic, the decision was an extremely painful one as the product actually acted on the progress of the disease and not just the

symptoms. In both cases, potential side-effects looked too worrying to allow further development.

"It's the problem everybody hates to have," says Mr Cunliffe. Between them, the two drugs represented 14 years of research.

The success of beta blockers, however, allowed the division to begin to seriously pump up its research operations. This year, ICI will spend around £30m on R & D, compared to just £50m in 1980. This level of spending puts ICI into the top 15 pharmaceutical companies world-wide in terms of R & D.

"You've got to be big enough in this business to cover your research over barren patches. Everyone runs into a blank period," says Mr Cunliffe.

Calling it "inspired intellectual gambling," Dr Duncan says

that drug research is an extremely difficult game to play. "No sensible person would engage in therapeutic (drug) research," he says with a laugh.

The group is concentrating its money in a few specialised areas, including cardiovascular, anti-cancer and anti-infectives. But it is not neglecting its cash cows. New studies on Landerol, which is no longer covered by a patent, are currently absorbing close to £1m a year. ICI hopes to show that beta blockers improve survival rates for victims of heart attacks and lengthen life by offering useful protection for the heart.

But large American competitors, needed by the success of a drug they had earlier discounted, are moving up swiftly on ICI with two new kinds of heart drug, calcium antagonists and ACE inhibitors.

A leading article in the British Medical Journal last month singled out ACE inhibitors, specifically Squibb's Captopril, saying the drug had "new found" - to have a wider therapeutic range "than might have been supposed initially."

Nonetheless, ICI has not been napping. It believes that beta blockers may find wider uses in conjunction with the newer heart drugs. Further, it is expecting a good reception for its new cardio-stimulant, Corwin, which it hopes to launch in 1985. This drug is predicted to be of importance in the treatment of congestive heart failure.

"There are products which produce excitement. Beta blockers did, ACE inhibitors do, and we think Corwin might just have a place in heart failure treatment which will lead to large clinical applications. If you do have something which works out, it can move very quickly," says Mr David Friend, European director.

Investment analysts, who have been very upbeat about ICI's drug division, point out that Corwin could still be vulnerable to side-effect troubles in its last phase of testing. Miss Elizabeth Greenham, of E. H. Harcourt & Co. in New York, points out that fairly recently, several other digitalis alternatives have been dropped when only a year or so from the market.

Another promising product in the ICI portfolio is its drug aimed at aiding diabetic therapy. This product may reduce complications suffered by diabetics such as cataracts. Miss Greenham also points out that ICI's highly successful cancer drug, Nolvader, is likely to widen its sales in coming years by increasing its scope from treating breast to endometrial cancer.

The company has also been active in licensing agreements. Next year it will launch a third-generation cephalosporin antibiotic, Cefotax, licensed from the Japanese company, Yamanouchi. This class of antibiotic is aimed at treating the most serious kinds of infections.

The very word antibiotic, however, brings a few sheepish smiles from some of the members of ICI's team. "We were in antibiotics back in the 1940s," says Dr Desmond Fitzgerald, ICI medical director.

"We made penicillin in milk bottles. But we went the wrong way. Our predecessors decided that synthetic anti-bacterials were the way to go, and it was the wrong way then. It was the right idea at the wrong time. We spent 40-odd years on the fringes of antibiotics. We're now coming full circle. The history was there, the knowledge was there, the trick is getting it all together."

That, with all the might it can muster, is what ICI Pharmaceuticals is aiming to do.

## APPOINTMENTS

## Chairman at Lever Industrial

Mr Barry Harpall has been appointed to succeed Dr George C. Gibbons as chairman and managing director of LEVER INDUSTRIAL, the Unilever company marketing cleaning and hygiene products for commercial and industrial use in the UK. For the last three years Mr Harpall has headed the Unilever development and application centre in Holland, which develops products, packaging, dosing equipment and cleaning systems for all Lever industrial companies in Europe and overseas. Dr Gibbons will relinquish the Lever Industrial (UK) chair on October 31.

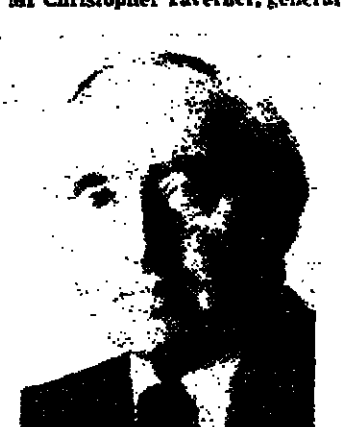
Mr Len Peach, director of personnel and corporate affairs, IBM UK has become president of the INSTITUTE OF PERSONNEL MANAGEMENT. He succeeded Mr Bob Ramsey, former industrial relations director of Ford Motor Co.

PLYSU has appointed Mr Brian Lewis a non-executive director. Mr Lewis is a director of Robert Fleming who have been merchant bankers to PLYSU for many years.

THE WEST MIDLANDS INDUSTRIAL DEVELOPMENT ASSOC has appointed Mr Ronald Sampson its first chief executive. Mr Sampson is director of the North East Scotland Development Authority. He is expected to take up his new appointment in January.

Mr Ron O'Keefe, Mr Michael Barrett and Mr Cameron Savage have all been promoted to become divisional directors of

PATERSON JENKS. Mr O'Keefe, national accounts controller, and Mr Barrett, field sales manager, have both been appointed directors of the brokerage division. Mr Savage is financial controller of Paterson Jenks manufacturing division. Mr Christopher Taverer, general



Lord Saye and Sele, regional director of Lloyd's Bank

Crewe and Mr G. P. McMullen have been appointed to the board of Charles Howard Underwriting.

Lord Saye and Sele has been appointed a regional director of the South Midlands regional board of LLOYD'S BANK. Lord Saye and Sele is a chartered surveyor and partner in the firm of Laws and Flenner.

Mr A. E. Robinson, regional director, Home Counties, has been appointed assistant general manager, UK operations, MIDLAND BANK. Mr J. N. Boreham, regional director, Bristol, succeeds Mr Robinson as regional director, Home Counties. Mr A. E. Troop, regional director, Exeter, has been appointed regional director, south west region.

RINGTONS has appointed Mr Nigel Smith joint managing director. He will continue to cover the purchasing of tens.

Following the retirement of Mr O. S. Hasfield, Mr T. A. Kent has been appointed chief executive of the ACCIDENT OFFICES ASSOCIATION and chairman of the Accident Offices Association (Overseas). Mr J. L. West has been appointed secretary of both Associations.

Mr Anders Kuikka, the founder's son, has been appointed deputy managing director of GEORGE KUIKKA. For the past two years Mr Kuikka has been employed as a management consultant with McKinsey and Co. based at its Copenhagen office.

## Notice of Redemption

## Transamerica Overseas Finance Corporation N.V.

8 1/2% Guaranteed Sinking Fund Debentures Due 1986

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Fiscal Agency Agreement dated as of December 1, 1971, under which the above designated Debentures are issued, \$401,000 aggregate principal amount of such Debentures of the following distinctive numbers have been drawn by lot for redemption on December 1, 1983 (herein sometimes referred to as the redemption date):

81,000 COUPON DEBENTURES									
1021	2509	3348	7090	8812	9680	10098	11814	12308	14001
89	2574	3357	7112	8834	9694	10207	11926	12346	14022
91	2604	3411	7150	8852	9716	10227	11959	12349	14033
92	2636	3461	7213	8852	9750	10244	11950	12350	14035
94	2617	3493	7238	8860	9767	10245	11957	12350	14037
93	2625	3515	7242	8868	9799	10251	11958	12351	14038
206	2622	3719	7250	8747	10021	10251	12016	12352	14039
230	2622	4856	7257	8756	10024	10254	12127	12353	14042
280	2622	4908	7257	8844	10057	10252	12137	12356	14016
346	2627	8530	7433	8847	10045	10256	12225	12355	14039
430	3021	6848	7530	8957	10051	10260	12513	12349	14097
432	3025	6857	7536	9102	10059	10245	12573	12357	14093
449	3044	6859	7834	9136	10084	10262	12574	12314	14723
454	3054	6970	8031	9136	10086	10272	12574	12314	14723
456	3076	6906	8070	9214	10103	10255	12556	12356	14708
552	3084	6813	8101	9321	10117	10708	12826	12628	14770
596	3116	6816	8109	9321	10120	10712	12834	12628	14771
702	3121	6828	8240	9359	10126	10802	12840	12628	14780
707	3125	6848	8352	9359	10134	11724	12879	12770	14813
782	3164	6934	8447	9543	10145	11742	12847	12834	14817
908	3167	6910	8450	9441	10147	11784	12855	12832	14823
994	3203	6919	8471	9453	10162	11785	12718	12837	14880
1000	3221	7090	8474	9586	10270	11778	12733	12857	14810
1112	3323	7092	8469	9670	10271	11779	12820	12859	14811

The Debentures specified above are to be redeemed for the Sinking Fund (a) at the Corporate Trust Office of Citibank, N.A., Fiscal Agent under the Fiscal Agency Agreement referred to above, No. 111 Wall Street, Receive and Deliver Department, 5th Floor, in the Borough of Manhattan, the City of New York, or (b) subject to any laws and regulations applicable thereto, at the main offices of Citibank, N.A. in London (Citibank House) and Frankfurt/Main, the main office of Amsterdam-Rotterdam Bank, N.V. in Amsterdam, the main office of Société Générale de Banque S.A. in Brussels, the main office of Banca d'America e d'Italia in Milan, the main offices of Banque de Paris et des Pays-Bas and Compagnie Européenne de Banque in Paris, and the main office of Banque de Paris et des Pays-Bas pour le Grand Duché de Luxembourg in Luxembourg. Payments at the offices referred to in (b) above will be made by a United States dollar check drawn on a bank in New York City or by a transfer to a United States dollar account maintained by the payee with a bank in New York City, on December 1, 1983, the date on which they shall become due and payable, at the redemption price of 100 percent of the principal amount thereof, interest on the said Debentures will cease to accrue, and, upon presentation and surrender of such Debentures with all coupons appertaining thereto maturing after the date fixed for redemption, payment will be made at the said redemption price out of funds to be deposited with the Fiscal Agent.

Coupons due December 1, 1983 should be detached and presented for payment in the usual manner. For TRANSAMERICA OVERSEAS FINANCE CORPORATION N.V. By: CITIBANK, N.A. Fiscal Agent

October 28, 1983

## The day a 'Kodak' copier actually broke down.

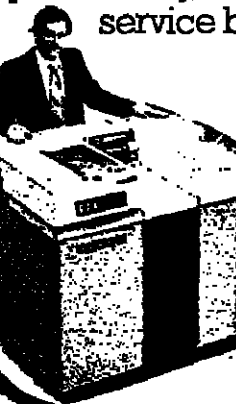
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## UK NEWS

## Britain spends less on aid to Third World

BY STEPHANIE GRAY

BRITAIN GAVE less aid last year to developing countries than any member of the European Community apart from Italy. Figures published by the Overseas Development Administration show that last year's contribution, at £1.9bn, was down £100m on 1981 and represented the equivalent of only 0.37 per cent of Britain's gross national product.

The United Nations target of 1 per cent of GNP was comfortably met, however, when private flows of £2.4bn, largely foreign currency loans by banks, were taken into the equation. The report, British Overseas Aid 1982, admits though that private flows went primarily to middle income countries rather than to the Third World.

Multilateral aid, disbursed mainly through EEC and World Bank programmes, rose £70m on 1981 figures to £417m, while bilateral donations fell £131m to £374m.

The report notes Britain's contribution to easing the problems faced by the International Development Association (IDA) - the soft loan arm of the World Bank and the main source of multilateral aid funds for the poorest countries. It has waived its rights under the agreement for the IDA's sixth replenishment to have its contribution drawn down in parallel with the reduced rate imposed on the U.S. contribution by Congressional action.

The UK has also waived repayment of official debt for most of the poorest countries - mainly sub-Saharan Africa nations - the most re-

cent of which is the cancellation of £22m debt owed by Mozambique.

Of the bilateral total, 80 per cent was spent on British goods and services. The controversial aid and trade provision (ATP), set up in 1977 to match offers of mixed credit made by other countries and allowing British companies to tender on equal terms to foreign competitors for contracts in the Third World, amounted to £33m - almost double the amount spent in 1981.

Development experts have long argued about the value of the ATP to recipient countries. One of the main criticisms is that pressure from donor countries anxious to finance capital projects has encouraged recipients to embark on new investments without sufficient regard to their recurrent implications.

Whatever the argument, the benefits of ATP agreements to British exporters are considerable. Since its inception, the report says, the ATP has resulted in exports worth £1.1bn from an aid input of £220.5m. Last year, 12 ATP agreements were signed for £115.5m. The agreements secured UK exports worth more than £380m.

The emphasis of British aid policy last year remained on funds for projects, particularly those associated with agriculture, though the report foresees project aid as representing a diminishing share of the budget in future. The ODA put into force revised instructions for monitoring projects, underlining the increased importance of close supervision.

## Axe finally falls on ailing cutlery maker

BY NICK GARNETT, NORTHERN CORRESPONDENT

RICHARDS of Sheffield, which has been put into receivership, is the latest casualty in the UK's rapidly shrinking cutlery industry.

The company has suffered several years of continuous losses. A spokesman said yesterday that 80 of its 207 workers would lose their jobs immediately. The fate of the rest of the workforce might be known soon.

Richards was formerly part of Imperial Knife, but was acquired by the American-owned Western Knives group last year.

The spokesman said Richards would continue to trade under the control of the receiver and its managers. The company's position was being assessed and negotiations were taking place to make the company viable at a reduced size.

The Sheffield cutlery industry has shrunk from employing more than 30,000 in the 1950s to around 2,000. Vickers, one of the city's biggest manufacturing names, collapsed last year, although its trademarks were sold off.

Richards makes middle-range

pocket knives and scissors, and higher price-range carving knives. It employed 800 in the mid-1970s and was once capable of accounting for more than 60 per cent of UK pocket knife production and 30 to 40 per cent of the home industry's output of scissors. It has suffered, however, because of imports which have been flooding the UK industry for years.

Taiwan is now probably the largest exporter to the UK of pocket knives. Korea is a huge exporter of scissors. Japan and, increasingly, Pakistan, are major producers of both products. One estimate three years ago put Far East penetration of the UK stainless steel cutlery market at more than 90 per cent.

The upsurge in imports has been partly bolstered by some British brand names bringing in cutlery and related products from outside the UK.

There has also been criticism from within the UK industry over its willingness, or lack of it, to defend itself against look alike imports.

## Industrial robot makers face 'severe shakeout'

FINANCIAL TIMES REPORTER

DR JOE ENGELBERGER, president of Unimation, the world's leading producer of industrial robots, yesterday said that the world's robot industry had become overcrowded and faced a severe shakeout. Many small producers would be forced out of business, he said.

He told UK industrialists at a conference in Liverpool that a number of large corporations were beginning to make their own robots.

Many British manufacturers have delayed buying robots because of the recession and high interest rates, but Mr Stuart McCullagh, robot project manager of ESAB-Lincoln Automation, also blamed bureaucracy in the Department of Trade and Industry (DTI) for the state of his company's order book.

Mr McCullagh said: "A third of the cost of a robot can be obtained as a grant. The DTI says it takes an average of seven to eight weeks to process an application, but our experience is that it is between seven and 12 months. One of our customers has been waiting for more than a year."

"We are advising companies not to lose patience and buy without a grant, because one customer who did this then discovered that grants could not be given retrospectively," he added.

ESAB-Lincoln, a subsidiary of ASEA, the Swedish power and generation conglomerate, has no British orders at all for its latest robot welding system, the Orbit 160R. The company has sold 80 other systems in Britain since 1978.

While agreeing that applications could take time, other robotics companies at an exhibition held to coincide with the conference were more cautious in blaming bureaucracy, partly because they all had to maintain good relations with the DTI.

Mr Paul Ritson, senior technical sales engineer of the expanding, Preston-based Dainichi-Sykes Robotics, said: "We know of one case where the application took only four weeks."

Dr Engelberger said these problems were only part of the story. "Why have a robot working round the clock twice as fast as humans if already you can't sell what the humans are producing on single shift working?" he said.

His own company, which turns out Unimate Puma robots at Telford, Shropshire, had a 70 per cent sales growth last year, but he said sales had now reached a plateau. Dr Engelberger added: "Since we planned for 35 per cent sales growth a year, it's all right so far. But it does mean we've got to grow again next year and that's not going to be easy."

Another problem was the proliferation of robot makers. "There has got to be a shakeout. Some of the smaller companies are not going to survive," he said. This view inevitably led to some potential customers holding back on purchases so that they could be certain of future service from surviving manufacturers.

Dr Engelberger's long-range forecast for robot usage included refuse collection, fast food preparation, petrol dispensing, animal husbandry (for example sheep shearing), nuclear maintenance and certain surgical applications.

Meanwhile, the need for industry to invest in robots grew ever more pressing. For example, a car worker in the U.S. cost \$19 an hour now as opposed to \$3 in 1960. Robot costs had merely doubled to \$8 an hour in the same period. Significantly, Japan had moved heavily into robotics, despite the fact that it was already competitive through unit labour costs of only \$11 an hour.

## Pheasant industry braced for a lean season

BRITAIN'S first big pheasant shoots of the season get under way this weekend with the industry in crisis and an Edwardian description of its economics truer than ever.

"Put up a guinea, bang goes two-pence, down comes half-a-crown," was the saying.

It now costs £10.40 to rear a bird and put it up over the guns. Cartridges are about 10p each. But the price of pheasants is the real problem. Last year it plummeted to £1.50 a brace wholesale, and the industry in Britain is desperate that it should not fall further.

Several game dealers have gone to the wall as a result of the slump in prices. Those still in business are, in many cases, hanging on grimly. Prices fell under the combined pressures of new EEC hygiene regulations, cheap imports

from East European countries and - to the sportsman's horror - factory farming of game birds.

Four years ago, British pheasants provided reasonable income for those who reared them and good profits for dealers. Wholesale prices rose to £5 a brace and many birds were exported.

But the export market died overnight because, as one member of the industry said: "The EEC people felt that a pheasant that is brought down with lead shot, falls in a puddle and is then carried back in a dog's mouth, hasn't been slaughtered in conditions of hygiene that make it fit for human consumption."

Competitive pressure also told, particularly from Hungary and other East European countries, which organise package shooting holidays to earn foreign exchange from

Ian Hamilton Fazey outlines how a great British sporting tradition is coming under fire from EEC rules, cheap imports and factory farming.

American and West Europeans. A typical four-day package costs about £1,000, with good shooting guaranteed.

The birds are bred in huge numbers - a typical shooting party will bring down 1,000 a day. At this point a hygienic production line takes over, with the retrieving and immediate processing by mobile mini-factories to machine-pluck, clean and pack the birds in plastic on little polystyrene trays.

This is a far cry from the British tradition of hanging up a brace of

birds for the process of putrefaction to tenderise the tough flesh.

An even further cry is the growth in pheasant factory farming. The aim is to market even more game birds - if they can be called that in this case - more economically, more hygienically and more oven-ready.

Eastern Europe and China are the leaders here, and potential market is huge. One British authority says: "The world market will, in fact, take all it can get and runs into millions of birds. At these prices they will also take market share from other fowl - just compare to-

day's pheasant prices with those of supermarket chickens."

No one sees the battery-reared, flightless pheasant taking over completely from those reared in the wild - but no one sees British traditions moving towards the Hungarian model either.

What break there has been with tradition in Britain has seen increasing numbers of formerly private shoots having to hire out enough days in the season - from October 1 to January 31, but usually taking a month to get going - to make ends meet.

A typical day's shooting will cost a party of eight £1,000 and so far there seems to be no shortage of takers.

The main costs to be covered are for gamekeeping - at least £3,000 a year for a typical estate - and feed, which consists of £100-a-tonne high-

protein poultry pellets, followed by similarly expensive growth pellets, then cheaper wheat or barley as the summer progresses.

Gamekeepers not only rear the game, but also protect it from poachers, who have moved with the times and now operate in gangs on a commercial basis.

Most poaching takes place at night, with gangs using powerful lights, dogs, air rifles and small-bore shotguns to take the birds on the ground.

Meanwhile, the high-flying pheasant remains one of the most taxing targets for the enthusiasts out this weekend. The willingness of many to pay dearly for their sport is what the British pheasant industry now depends on.

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## FINANCIAL TIMES

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Friday October 28 1983

## Time shortens for Marcos

TOUGH AND inevitably protracted discussions involving the Philippines' commercial bank creditors and the International Monetary Fund are now taking place in Manila in a bid to devise an effective economic programme which will help restore investor confidence. The need is great, for events have moved fast since the assassination on August 21 of the popular opposition leader Benigno Aquino.

Widespread anger over the killing, and growing suspicion at possible Government involvement, have fuelled mass demonstrations which spread to the Manila business community. President Ferdinand Marcos's battle to contain the discontent failed to prevent President Ronald Reagan delivering an embarrassing blow by calling off his visit to Manila scheduled for next month. A flight of capital forced the Government to ask for a three-month moratorium on debt principal repayments in an effort to limit a balance of payments deficit which has already resulted in two painful devaluations of the peso. A rescheduling now seems certain.

## Transition

Concern is intensifying over whether President Marcos can last. He is said not to be well, and his touch has certainly deserted him on several occasions, notably in the confusion that followed the slaying of Mr Aquino. However, the legal opposition lacks cohesion and an alternative programme. Most underground resistance is a long way from being a genuine threat. This merely serves to emphasise the need for President Marcos to lay the ground for a smooth transition once he passes from the scene.

It is to his discredit that he has failed to do so before now. But like many other Third World leaders, he has sought to secure his survival in exactly this way, refusing to create vibrant political institutions with wide support, and allowing those closest to him to jostle for influence in shifting alliances as well as to benefit materially from their position. As a result, speculation is endless over the succession, which creates a corrosive uncertainty. The strongest power in the background is the army, with

the threat of military intervention when change finally comes. Reforms announced recently in the way elections are held in the Philippines could help encourage the moderate opposition to participate in next year's polls, although it must also overcome its own awkward and debilitating differences. Likewise, the appointment of a new Investigator Commission into the Aquino killing, provided it produces a firm conclusion, may assist in clearing the air. But President Marcos has inspired deep distrust among the middle classes. Even the support he retains among peasants and urban workers may desert him if the faltering economy fails to deliver the goods.

Indeed, the economy could still be President Marcos's undoing. He found it difficult enough earlier this year to resort to the IMF's stiff medicine in order to put the economy to rights. Spending cuts, an end to subsidies and devaluation all threatened to erode public support, especially in a country like the Philippines where, in politics, money talks loudest. Now it seems even bigger doses of medicine are necessary, no doubt posing still more problems. The President will need to rely heavily on the counsel of his Prime Minister Cesar Virata and Central Bank Governor Jaime Laya who are both highly regarded in the international financial community.

## Encouragement

For President Marcos, therefore, time is running short. It seems clear that the Philippines needs a new political framework in which competing interests can exercise their influence peacefully and so ensure economic growth and long-term stability. To the extent that President Marcos is now beginning to aim for this—and as long as no one is in sight to take his place—he deserves further support and encouragement. But it is a course of action he has long avoided, and there is a long way to go down the democratic road. If one day soon he can take some credit for pushing the country down that path, it will serve to counter his current image of bearing much responsibility for his country's plight.

## Police powers in Britain

TO ATTEMPT codification of anything at a moment of flux is difficult. So it is not surprising, nor even undesirable, that it should be taking so long for the Government to complete the first attempt to codify the powers of the British police.

The Police and Criminal Evidence Bill, which embodies that attempt, fell in mutilated condition with the general election. A revised version was published yesterday, along with a pair of white papers. One proposes separating the prosecution system from the police. The second most seriously strengthens lay participation in the investigation of complaints against the police.

## Deprivation

A great deal has changed since Mr Merlyn Rees, as Home Secretary, set out in 1978 on the long road towards codification by setting up a Royal Commission on Criminal Procedure.

At the time, concern about police handling of investigations was a specialised, almost academic affair. But growing inner city deprivation and widespread evidence that the young, black, residents of those inner cities were being mistreated by an increasingly remote and confused police force, ensured that the debate would become political. The 1981 riots completed that process.

The political polarisation over policing matters which followed the riots and which so disturbed the progress of Lord Silke's first Police Bill is, in its wilder excesses, to be deplored. But it has also been a necessary process of examining the relationships between police and society. As Sir Kenneth Newman, the Commissioner of the Metropolitan Police, frequently points out, the essence of fighting crime is confidence between the police and the public.

The immediate question is whether Mr Leon Brittan's new police bill will foster the necessary degree of confidence.

All the changes made in the new bill and proposed in the White Papers are steps in the right direction. The definition of "serious arrestable offence," which is the trigger for many of the powers in the bill, has at

the third attempt been satisfactorily worked out. Tape recording of interviews between police and suspects is clearly desirable and the lack of a statutory commitment to implement it was a foolish weakness in the old bill.

The principle of an independent prosecution service, such as exists in Scotland, is also clearly desirable and the lack of a statutory commitment to implement it was a foolish weakness in the old bill.

Perhaps most important of all for the question of public confidence is the new Police Complaints Authority which will, for the first time, produce an element of non-police supervision of public complaints against the police.

Given its acceptance that lay people have a role in this process, which chief police officers have always insisted must remain exclusively within their own disciplinary remit, it seems slightly odd that the Government is still refusing to permit lay members to participate in investigations. That too is a matter for further debate.

The parts of the bill which attracted most criticism during the spring of the right of the police to search for evidence and the limits on the time during which suspects can be detained without charge—were heavily amended in the last Parliament and are now broadly acceptable. Even here, though, there is still legitimate room for argument as to whether anyone should be held for as long as 96 hours in a police station without being charged.

## Selective

These and other matters will benefit from a further period of detailed scrutiny in committee. The Opposition, which in advance of a general election took the view that the Police Bill should be thrown out lock stock and barrel, should now pursue a more selective course.

The laws which govern Britain's policemen do need tidying up and defining, but there is no need to rush. We have got by for over a century without detailed statute law on police powers; a few more months cannot do any harm.

ARGENTINES ARE approaching the end of seven years of military rule with feelings ranging from euphoria to high anxiety. As they prepare to vote on Sunday for a new civilian Government they are bound only by a common sense of being at a crossroads in their history.

The poll could be the first step on the way to establishing more secure democratic institutions in a country which has a long history of military intervention in politics. But the fear is that it could equally lead to a spiral of violence and economic chaos, prompting yet another coup.

These two extremes have been reflected in the atmosphere of the election campaign. On the one hand, there have been huge and enthusiastic political rallies. On the other, the newspapers have carried daily rumours of impending disaster: allegations of assassination plots and disruptive activities by agents provocateurs.

The outcome of the poll will have repercussions far beyond Argentina's borders. The country is one of the world's biggest foreign borrowers, with outstanding foreign borrowings of over \$38bn. The country's two leading political parties—the Peronists and the Radicals—have both said they will honour the debts but will try to secure easier terms. The international financial community will be watching nervously the actions of the new Government.

So too will other Latin American military governments which are under pressure from civilian oppositions to return to barracks—particularly in Brazil, Chile and Uruguay.

The complexion of the new Government will also have a vital bearing on the Anglo-Argentine dispute over the Falklands. Both the Peronists and the Radicals have made the return of the islands to Argentina a foreign policy priority.

Above all, perhaps the election provides the opportunity for Argentina to overcome the political instability which time and time again has prevented it fulfilling its natural economic

potential. The country has a highly cultured population, no racial problems and is rich in natural resources. Although 13 national parties and some three dozen provincial ones are contesting the election, it is shaping up as a two-horse race, possibly quite a close one—between the country's two traditional big parties.

The Peronists, ideologically heterogeneous and with essentially working class support, are united mainly by their collective reverence for the late Argentine strongman, Gen Juan Peron, whose ghost has haunted the election campaign. The Radicals, led by Sr Raul Alfonsín, have their power base in the large Argentine middle class and have a style



Top: the ghost of Juan Peron still haunts Argentina. The campaign poster shows him flanked by his first wife Evita (left) and third, Isabella. Bottom left: Raul Alfonsín, the Radicals' presidential candidate. Right: Italo Luder, the Peronist candidate.

and programme similar to the Western European parties of the last half-century. Nine have made into a key election issue the reform of the third great political force in Argentine society: the military.

Of the 16 Governments that have ruled Argentina in the last half-century, nine have been military. Only one of the seven civilian Governments has managed to complete a full term without being ousted in a coup—the administration led by Gen Peron between 1946 and 1955.

Peron, who was overthrown by the military in 1955, returned from exile in Spain in 1973 to lead a democratically elected Government. But he died the following year and a period of increasingly chaotic rule ensued under his third wife, Isabella.

In 1976, the military stepped in again—amidst chronic economic difficulties and bitter fighting between left and right-wing guerrillas—promising to restore political health and stamp out corruption.

The armed forces did not intend to hold democratic elections until 1987 at the earliest, but they were forced to accelerate the timetable after the Falklands war, which destroyed their prestige, left them politically unsure where to turn next and led to an explosion of civilian anger.

Of the various parties contesting the election, it is the Radicals who seem to offer the

country the prospect of real change. Their presidential candidate is a rare species in Argentine political life: Sr Alfonsín combines charisma with a firm commitment to parliamentarianism and the supremacy of ideas over brute force.

A lawyer and human rights activist, Sr Alfonsín threw himself into public politics last year even before the military had confirmed there were going to be elections. While many of the country's politicians kept to cautious, behind-the-scenes lobbying, Sr Alfonsín took to the streets.

His handsome if somewhat portly features, his eloquent delivery and the sheer energy of his campaign, have tempted supporters and detractors alike to describe him as a potential new Caudillo (strongman).

Sr Alfonsín blames the militarisation of Argentine society for the country's deterioration into an almost permanent state of financial and political chaos. The Radicals argue that the military must be cut down to size to sever Argentina's links with its dictatorial past and to replace these with a democratic system that can solve the country's social and economic problems.

The party says the dramatic growth of Argentina's foreign debt over the last seven years is largely due to the armed forces' intrusion into all aspects of the economy and the basic unaccountability of military governments.

Officers who have sat on the

boards of banks, headed key state utilities, and bought up large tracts of real estate, are being blamed by the Radicals for waste, corruption and the misuse of foreign borrowings.

The military, it is claimed, has enriched itself through an estimated \$10bn of secret arms purchases and fat commission fees on these deals.

Certainly, Argentina has little in the way of productive investment to show for its international borrowings. GDP has

fallen by 1 per cent over the last six years compared to an average annual rise of 4.5 per cent between 1964 and 1974; large parts of industry are running at only 50 per cent of capacity; unemployment is at a record rate of nearly 20 per cent, and inflation is at a record high of more than 500 per cent.

Closely linked to the question of how to deal with the military is the issue of the outgoing Government's human rights record.

Over the last seven years the armed forces' intelligence sections have been allowed to develop into a state within a state. Over 5,000 "agents" have been forged into a secretive force to watch and control political "suspects" and to ensure a smooth flow of official propa-

ganda through the manipulation of the media.

During the military's drive against left-wing guerrillas following the 1976 coup, these agents kidnapped and tortured thousands who have disappeared without trace. Many are believed to have been summarily executed.

The Radicals propose severely to trim the power of the security forces and put an end to their virtual autonomy of action. They have also pledged their full support for civilian judges who are trying to trace the "disappeared ones" and want to bring to trial officers on charges of human rights violations.

Many Argentines believe that those guilty of human rights violations must be brought to justice as a deterrent to show that such atrocities cannot be perpetrated with impunity.

Peronist policies towards both military reform and human rights have remained distinctly woolly. Many members of the party have strong links with senior army officers and some have been involved in the military's political repression: Triple-A was a right-wing terrorist squad formed in the early 1970s by individual officers and members of the Peronist Party. Its purpose was to assassinate left-wing guerrillas and sympathisers and it was eventually incorporated into the security forces.

The Peronists have conducted their election campaign in a time warp. At one rally the senior actors have been Juan Peron himself and his wife Evita, who died of cancer in 1952.

The Peronists have turned a blind eye to the economic chaos which plagued their 1973-75 governments. Instead, their campaign propaganda has concentrated on a more distant and golden past: Peron's first post-war government, when Argentina experienced an unprecedented redistribution of income.

The emphasis has been on Peron's economic skills and love for the "churchless ones" rather than the exceptionally propitious post-war economic circumstances: a high level of reserves built up with war time credits and high international prices for Argentine beef and grain, facilitating industrial growth and generous salary increases.

The Peronist mystique undoubtedly continues to command the loyalties of large sectors of Argentina's lower income workers. But it has failed to make any significant headway among the country's 5m first-time voters, who only remember Peron as a tired old man who returned from exile but was unable to prevent his country from plunging into armed conflict between left and right.

The party has also alienated a large part of Argentina's middle-class, who are looking for the politicians for firm assurances of future stability rather than for surrealistic projections of past glory. The Peronist image has not been helped by continued internal feuding.

The party's presidential candidate is Sr Italo Luder, a former leader of the Senate who took over as president for six weeks in 1975 when Isabella Peron was ill. He was elected as a compromise presidential candidate last month after a stormy party convention.

On the campaign trail, Sr Luder has proved a lacklustre candidate overshadowed by the forceful personality of Sr Raul Alfonsín, the Peronist candidate for the key political post of Governor of Buenos Aires. Sr Alfonsín's rough political tactics have made him a dangerous maverick in the eyes of the party's intellectuals and those on the left.

But in the shabby towns, and many of the industrial suburbs surrounding Buenos Aires, Sr Alfonsín is held up as "a man of the people," the protector and interpreter of the "forgotten ones," the reincarnation of Peron. Sr Alfonsín has pub-

Both main parties are convinced they will win

lically referred to Sr Luder as a "powdered woman who doesn't know how to embrace the ordinary man."

Opponents of the party are particularly dismayed at the prospect of Sr Alfonsín being given the keys to the political, administrative, and financial centre of the country.

Political observers here fear that if Sr Luder becomes president he may simply not have the personality, nor sufficient grassroots support to command wide respect within his movement. The pessimists fear that within weeks of the election Right and Left-wing guerrillas could be fighting it out again in the streets, setting off the spiral of violence that could lead to another coup.

At the same time, however, many Argentines say that whatever Sr Alfonsín's campaign — they believe that his election to the presidency could be fraught with pitfalls.

Even if the Radicals keep only half of their electoral promises, and Sr Alfonsín has the reputation of a man who keeps his word — the party would threaten deeply entrenched interest groups.

Sr Alfonsín's audacious plans for military reform and far changes in the Peronist-controlled structure of the General Confederation of Labour, runs the risk of setting sabres rattling and union leaders threatening strike action. In these circumstances, the country could prove even less manageable than it is now. The Radicals and the military continued with their tacit political pact.

Both the Peronists and the Radicals are convinced that they are going to triumph on Sunday, and the opinion polls give no clear guide to the winners. But the feeling here is that the poll will be a much closer run thing than the last elections, in 1973, when the Peronists were swept to power with a commanding majority.

## ARGENTINA'S ELECTIONS

## Ghosts haunt the crossroads

By Jimmy Burns in Buenos Aires

## Men &amp; Matters

## Stirring Times

To the Jubilee Room of the House of Commons yesterday for the media event of the year — the launching of the Good Times, Bad Times... Harold Evans's account of his stormy year as editor of Rupert Murdoch's Times.

Admission by invitation only... and the chief parliamentary reporter of The Times discreetly took a verbatim note. Anonymous observers were almost overwhelmed by the throng of high-profile personalities from the trade. Editors Alan Coren of Punch and Alexander Chancellor of the Spectator; Labour's deputy leader, Roy Hattersley; former Labour MPs Philip Whitehead and Chris Price; and, of course, Anna Ford, television celebrity and litigator.

Evans's old supporters at The Times (now largely ex themselves) were well represented — and some Murdoch-type accents were also in evidence. One reporter announced he was from News International — an organisation of which Mr Evans might have heard. The author nodded, without enthusiasm.

Evans said he had not yet heard from Murdoch himself, or his lawyers, though he claimed there had been pressures behind the scenes to stop publication.

A veteran of many legal battles, he was prepared to be sued, though he was not inviting writs, he said. He may have to face them in view of his allegations of the illegal transfer of The Times titles and interference with editorial independence.

## Broker's brass

Southern counties viewers of the independent TVS station will be regaled for the next

month with a dignified little advertisement showing a craftsman's hands carving away at a brass plate.

The result of his labour emerges as the logo of London Stock Exchange brokers Capel-Cure Myers.

David Poole and Fred Carr of that firm have dreamed up the campaign with advertising agents Hutton Group to become the first London brokers ever to turn to the TV audience for new clients.

The campaign will cost £130,000 — a handsome outlay to show the world their brass plate. But CCM point out they are unusual in the broking business in that more than half their profits and their revenue comes from private clients. Their TVS ads will go out to 6.5m people to the east and south of London between Essex and Dorset. And that audience contains Britain's strongest concentration of "A" and "B" rated socio-economic groups.

The Stock Exchange authorities, have seen and approved the ad. "We thought it would be prudent to show it," says Poole.

## Stamped upon

The latest Portuguese wheeze for raising extra revenue has been causing chaos at that country's international airports this week.

A departure stamp which cost 1,000 escudos (£15.50) was discreetly introduced on Wednesday. So discreet, in fact, was the new impost that hardly any foreign tourists had heard about it before they were asked to cough up.

A frantic American couple who had not been aware of the new tax had spent their last euros on the principle it is not a currency much in demand back home in Indiana. While they were explaining

their inability to pay for the departure stamps their cheap flight took off — leaving them behind with 2,000 escudos owing the Portuguese Government, and a much bigger bill for full-fare flights.

## On board

Korchnoi, Kasparov, Smyslov and Ribli may not be a familiar quartet to many Brits — but that could soon change.

For the first time, the UK has won the right to stage the final rounds of the World Chess Championships; and they are the contenders who will be arriving in London next month to compete for the right to challenge world champion Anatoly Karpov.

The key match will be between Korchnoi and Kasparov. Korchnoi, who defected from the Soviet Union in 1976, has lost two matches against the champion and is eager for revenge.

Kasparov, a Soviet citizen born Weinstein, is the 19-year-old wonderboy of chess and hot favourite to become the youngest-ever world champion.

The Korchnoi-Kasparov match was due to take place in Pasadena, California in July, but the Soviet Union said "nyet" to playing in Ronald Reagan's home state.

Bids to re-stage the match came from all over Europe. The Bosnian Chess Federation in Yugoslavia looked like winning. But it could not agree on how to split the \$200,000 prize fund it had raised and the UK bid, made only hours before Tuesday's deadline, was accepted.

The recently floated Acorn Computer is putting up a prize fund of SwFr 130,000, plus a SwFr 40,000 donation and another SwFr 30,000 from the "gate" to the World Chess Federation.

It only remains now to find a suitable arena in which to stage the contest.

## Who's profits

Chicago attorney Norman Rubenstein is a fan of the BBC's hero Dr Who. And there are lots like him in the Windy City, he says, who know very word of every episode.

"Chicago," he says, "is the Dr Who capital of America." Which is why Rubenstein, who sees the commercial possibilities, is running a Dr Who convention here next month to celebrate the 20th anniversary of the arrival on this planet, and in this time zone, of the space ship Tardis.

Some 80 TV stations in the U.S. are to feature a 90-minute BBC special which will star the four surviving doctors — played by Patrick Troughton, Jon Pertwee, Tom Baker, and Peter Davison — together with a look-alike for the late William Hartnell.

The BBC is generously sending to Chicago the doctors and a Dalek to keep them in order. There will be question-and-answer sessions, wall-to-wall video presentations of the doctor's adventures, and sales of Dr Who artifacts.

Rubenstein's company, called Spirit of Light Enterprises, has tee-shirts and jewellery, and some bumper stickers with such legends as "Who is Here?" and "Travel by Tardis." Earlier this year Rubenstein bought Tom Baker's Dr Who coat for £800 while on a visit to England.

BBC Enterprises has done well out of the doctor over the years. The series has been sold to 54 countries and has a worldwide audience approaching 100m.

Nothing extravagant is planned in London to mark the anniversary. But the BBC is selling some Dr Who monsters and costumes at Solihby's Saliney saleroom, Chester.

Observer

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## POLITICS TODAY

## End of the special relationship

By Malcolm Rutherford

IT WAS Sir Geoffrey Howe's voice that gave it away. "Can the Foreign Secretary assure us," Mr Denis Healey asked in the House of Commons on Monday, "that there is no question of American military intervention in the island?"

There was just that very slight quiver in the tone as Sir Geoffrey replied: "I know of no such intention." In other words, there was no categorical denial. The British Foreign Secretary, being a rational and honest man, merely thought that an American military intervention in Grenada was unlikely. And he went on to give some of the reasons why.

"It must be remembered," he said, "that Prime Minister Bishop, who lost his life in the recent coup d'état, was a close friend and associate of Dr Castro, that there were several hundred Cuban advisers on the island already, and that the Cuban Government has lamented the death of Prime Minister Bishop and deplored the recent events. It is difficult to conclude that in that respect the matter has changed significantly."

No doubt there were additional reasons in his mind. The British Government had advised against it. Other Caribbean Governments were against it, too. It was almost unthinkable—certainly unprecedented—for the U.S. to intervene militarily in a Commonwealth state against the express wishes of EMG. What would such action do to the special Anglo-American relationship?

Yet the unthinkable happened. What are the consequences?

It should be said at the start that a great deal depends on how smoothly the intervention works. If the Americans get out quickly, having laid the ground for democratic elections in Grenada, the whole exercise could become a footnote: an example of how the temporary use of force can be occasionally justified by the more important matter was to serve the Anglo-American alliance. Sir Geoffrey had been implying the same thing himself throughout the week.

The Labour Party's approach was, however, except as a Parliamentary reformer, Mr Healey was at his destructive best and, incidentally, completely overshadowed the arrival of Mr Neil Kinnock as the new Party leader. For the umpteenth time, one requested that he had not got to the top himself. Not once, however, did he face the real question of what the British Government, as distinct from the British opposition, was supposed to do.

For the opposition, it was easy. Attack the Government for bad communications, general incompetence, lack of influence in Washington and absence of reward for low-towing to an American President who ultimately ignores your advice. But that is not an answer.

What Mr Healey and most of the House of Commons failed to realise is that in this instance, Mrs Thatcher and Sir Geoffrey had become doves. They had

quences will still be considerable.

Rather like the Parkinson affair earlier this month, the invasion of Grenada has been characterised by the fact that there was no simple division of opinion. There was no clear view of what was right and what was wrong in the circumstances. That was the British Government's saving grace, certainly among the ranks of its own supporters.

True, the Government was humiliated by having its views over-ruled in Washington. But there were some Tories—Mr Julian Amery, for example—who thought the British should have gone into Grenada themselves, or at least accompanied the Americans and/or a Commonwealth force. Unlike Suez, he said, the Americans were right and Britain was wrong.

The Government's own approach quickly became confined to one of damage limitation. It is hard to see how it could have been otherwise, even if Labour had been in office and the Foreign Secretary had been Mr Healey. For small as it is, it would be absurd to risk further impairing Anglo-American relations merely because of a disagreement over an island in the Caribbean.

The idea of Sir Geoffrey standing up at the despatch box and denouncing the U.S. was never on, especially as some Tories sympathised with the American action. Resumption of relations with Washington is for the longer term.

It was an appreciation of the difficulties of Sir Geoffrey's position by some other Tories that came to the Government's rescue. They were, notably, Sir Peter Baker and Mr Norman St John-Stevas, both of them former ministers. What they said, in effect, was that probably the British advice had been right and that the American intervention had been wrong, but that the more important matter was to serve the Anglo-American alliance. Sir Geoffrey had been implying the same thing himself throughout the week.

The Labour Party's approach was, however, except as a Parliamentary reformer, Mr Healey was at his destructive best and, incidentally, completely overshadowed the arrival of Mr Neil Kinnock as the new Party leader. For the umpteenth time, one requested that he had not got to the top himself. Not once, however, did he face the real question of what the British Government, as distinct from the British opposition, was supposed to do.

For the opposition, it was easy. Attack the Government for bad communications, general incompetence, lack of influence in Washington and absence of reward for low-towing to an American President who ultimately ignores your advice. But that is not an answer.

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Sir Geoffrey Howe: a quiver in the voice

Springs

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What Mr Healey and most of the House of Commons failed to realise is that in this instance, Mrs Thatcher and Sir Geoffrey had become doves. They had

recognised the limits not only of British power, but of British influence.

To be over-ruled by your own best friend, in an area which you supposed to know most about, must be a pretty stunning experience. Yet they accepted reality.

It ought to be a turning point in the history of British post-war foreign policy, as Suez turned out not to be. For, in the end, all that happened after Suez was a successful attempt to restore Anglo-American relations, almost as though they had never been breached. The special relationship came back and indeed seemed to be much in evidence between Mrs Thatcher and President Reagan, though perhaps it was more ideological than strategic. When it came

to a test, as on Grenada, there was no "playing Athens to America's Rome," as Mr Harold Macmillan once put it. Athens advised, and was dismissed.

The question is what Britain should do about it. You cannot, of course, change foreign policy overnight, and possibly Grenada is too small an incident to be a turning point. But in a sense the change has already begun. Britain does now consult her European allies almost as closely as the U.S., and there is beginning to be a European identity.

Here are some common elements. The British, the French and the Italians agree that there should not be a power vacuum in Lebanon and have been ready to put their forces alongside the Americans in an attempt to prevent it.

West European governments again tend to agree that the deployment of Soviet SS-20 missiles ought to be countered and have stood up to considerable opposition from domestic opinion to allow the cruise missiles and Pershing 2s to go ahead.

All that is part of the balance of power, and it is taken as a given that ultimately U.S. and West European interests coincide.

What is much more questionable, however, is how far Europe can support what appears to be an ideological crusade against the Soviet Union.

There must also be a question about internal opinion in the U.S. If Mr Walter Mondale were to become President, the whole state of east-west—and west-west—relations might be very different, and already the prospect of an American Presidential election is beginning to cast its shadow over the world scene. But for the moment we live with President Reagan, and could continue to do so.

One of the characteristics of the Reagan Administration is tactlessness, or at least an unwillingness to appreciate that the perceptions of its allies might be different from its own. For instance, one of the worst aspects of the intervention in Grenada was its timing, and we may assume that that was a reason why the British advised against it. There was already a severe problem after the attacks on the American

and French forces in Lebanon on Sunday. There was the running problem of European opposition to the imminent deployment of cruise missiles. To add another problem, by invading Grenada against the wishes of a supposedly favoured ally, looks like recklessness. It looks indeed almost as if the allies don't matter.

There is, I think, only one tenable response. The West Europeans will have to work together to establish their own foreign policy. It would not be anti-American, but it would be a counter-weight within the Alliance to American views. The only way for the Europeans to do this is by agreeing among themselves in advance. The time for bilateral relations, or special relations, with the U.S. is over. The way to be heard is to speak together.

Some progress has been made in the framework of political co-operation within the European Community. But it is not enough. Too often it relates to minor matters and even then, as in the case of Grenada, which was not discussed, the wrong minor matters.

After Grenada, the question is how far British politicians will draw this conclusion. There is after all an alternative. That is, to allow to continue an unholy alliance between Mr Enoch Powell, the Labour left, and some of the old Tory right which tends to think that almost anything done by America is bad, yet which has nothing to put in its place.

Mrs Thatcher and Sir Geoffrey probably came closer this week than ever before to realising the limits of British power and influence and the fundamental flaw in the special relationship: it is not a relationship of equals.

The approach to equality with the U.S. is through Europe.

How far the Prime Minister will draw this conclusion remains open. But she cannot say that she has not been warned. She relied on her influence on America, and America ignored her. That is not to argue that, in this instance, America was necessarily wrong, but merely to conclude that successive British governments have been living in a fools' paradise in looking to Washington first, and Europe second. In future, it should be the other way round.

## Lombard

## Formula for British Steel

By Ian Rodger

THE GOVERNMENT'S confidence about the possibilities of privatising the British Steel Corporation has seemed to wane in recent months.

Former Industry Secretary Mr Patrick Jenkin's categorical decree that all of BSC should be out of Government hands—parts of it given away or left to rot, if necessary—by the end of the next Parliament, has become softer and softer.

The main problem with privatising BSC, despite the shedding of 150,000 workers in the past 10 years and the writing-off by the Government of over £4bn in borrowings, is that there is no foreseeable prospect of the basic steel industry becoming a reasonably safe place to operate a normal commercial enterprise.

Many eastern European and developing countries look at steel exports as a means of earning hard currency. And since most of their costs occur in soft local currency, they are not too concerned whether they get 170 dollars for a tonne of slab or 300 dollars, so long as they are dollars.

Privatisation advocates then retreat to a second option. There are parts of the corporation, they say—notably those making sophisticated products such as tubes and engineering steels—that could be commercially successful on their own. True, but how demoralising for beleaguered BSC managers to be stuck with only the dreary upstream end of the business, and none of the advantages of vertical integration.

One possible solution to this dilemma, proposed by a City merchant bank, is that a company be set up, half owned by the Government and half by BSC executives, to manage the corporation and employ the workforce.

There would be no indexed pension fund for employees as there is in BSC, but the existing indexed rights of BSC employees would be protected, just as they have been for those who have left the corporation to join the joint venture com-

panies, Allied Steel & Wire and Sheffield Forgemasters.

The management company would have the first right to buy any profitable BSC assets that the Government proposed to sell, and, if it decided to buy, would raise the necessary funds in the City. If someone else ended up buying the assets in question, the management company would lose the management contract over them.

The contract would provide for the management company to receive a reasonable fee for its services plus additional amounts tied to performance. Profitability is unlikely to be a useful yardstick for measuring performance, but the contract with Mr Ian MacGregor, the former BSC chairman, provides some guidance. It relates performance to achievement of annual cash and profit targets, UK market share, exports and productivity.

The obvious weakness of this proposal is that it creates the appearance of privatisation without the reality. As long as BSC continues to suffer huge losses—£201m last year pre-tax and £426m the year before—then the Government will have to bail it out as well as provide capital for new investment, regardless of whether the corporation is run directly or by a private management company. At some point, a government might mistake the appearance for the reality, and decide it was under no obligation to continue propping up a "private" company.

Another problem is the proposal's assumption that it is desirable to keep a large British integrated steelmaking corporation together. If, as seems likely, the developing countries are going to continue to build up their exports of low-cost, semi-finished steel, then perhaps Britain and other industrialised countries should leave more of this low-value-added end of the business to them.

It is, of course, difficult to know how much steelmaking capacity should be kept, and in what form. But the directors of BSC's management company, once it had bought most of the corporation's more attractive downstream assets, would probably be in a good position to judge.

## Letters to the Editor

## Car price differences in the EEC

From Mr Trevor Crowther

Sir,—Perhaps price controls on cars should be the responsibility of government, as the motor industry is suggesting. However, in the absence of any action from our Government, it is encouraging to see (October 24) that the EEC is planning to introduce a regulation which should prevent price differences between any two EEC countries exceeding 12 per cent.

At present the motor manufacturers charge unjustifiably high prices in certain countries, specifically Britain. This means that British car buyers—the

British public and British companies—are heavily subsidising all sections of the motor industry, regardless of nationality. Surely this is ludicrous; it would be far better if prices were set at their true levels in relation to other markets and the Government (that is, the British public and British companies) were to subsidise BL more heavily than at present so that BL remains competitive. Then the Government would be subsidising only BL, which would be far preferable to subsidising the whole of the motor industry.

Your report says that the

motor industry "hopes to mobilise public opinion and convince the governments of Britain, West Germany and France in particular" in order to persuade the EEC to drop the proposed regulation. West German and French public opinion may be, but it would be a remarkable achievement if the industry managed to mobilise British public opinion to support the continuation of huge British subsidies to motor industry profits.

Trevor Crowther, Kingsfield Road, Woking, Surrey.

## Building societies' interest rates

From Mr E. H. Barnes

Sir,—Apropos David Lascelles's piece about the competition between the banks and the building societies for sav- ings (October 20), the decisive turning point was the building societies' decision to break away from the general level of interest rates and offer higher rates to investors in order to attract more money for mortgages. This in turn has meant higher interest rates for borrowers both with existing mortgages and new borrowers.

No one seems to have taken exception to this latter fact even though it is highly inflationary because "knock-on" effect as borrowers try to pass on their extra costs to other people by wage demands etc.

Both banks and building societies enjoy having high interest rates, but banks' profits and margins that much bigger. What is laughable is that the building societies are ostensibly non-profit-making organisations whereas in practice they are the most rapacious of profit-takers.

R. H. Barnes, The Garden House, Lonsdale Hall Lane, Burslem, Coventry.

## Into Russia without an interpreter

From Professor Charles H. Gray

Sir,—Mr A. Broadbent (October 22) may be mistaken in believing that he and his family took the first car into Russia without an interpreter. However, his dating of "over 18 years ago" is ambiguous. My wife and I, also with two boys, arrived here among the first in this respect.

In 1961, we travelled over 5,000 miles in a 26-year-old Rolls-Royce from Harwich to Gorky, Leningrad, Moscow (for the First International Congress of Biochemistry the Russians had held since the Second World War), Prague, Vienna, Munich, Perugia, Florence, over the Great St Bernard Pass to Calais and home.

Except in Moscow, we also camped in Russia and encountered great kindness everywhere. Even with low octane fuel obtainable from petrol stations 200 miles apart, the car fortunately gave no trouble.

Charles H. Gray, Burr Cottage, Linden Road, Leatherhead, Surrey.

## Cost of the NHS

From Miss Susan Hynes

Sir,—Your "Men and Matters" column (October 25) referred to "Britain's expensive National Health Service." The Health Service is decidedly not expensive. We spend less on health care than our European partners and far less (6 per cent of Gross Domestic Product) than the U.S. which spends roughly 9 per cent of GDP on health care.

Our Health Service, because it is funded rationally through taxation, is far cheaper to administer than insurance-based systems. Britain spends 6 per cent of total health expenditure on administration, whereas Belgium and France spend 12 per cent, Australia spends 18 per cent, and West Germany 8 per cent. The U.S. is estimated to spend 21 per cent.

I think you will agree that, comparatively, the NHS represents good value for money. Susan Hynes, 6, Lea Road, Heaton Moor, Stockport.

## Holland and the welfare state

From Mr J. J. M. Kremers and Mr F. L. D. Nivard

Sir,—It is with great interest and appreciation that we have followed Walter Ellis's reports on the Dutch economy over the last years. Therefore we were unpleasantly surprised by the unfortunate way in which Mr Ellis let his pen run away with himself (October 20). In an anecdotal article he asserts that the present "redirection of the welfare state," which was built "as a consequence of Dutch natural gas discoveries," is "something quite new and shocking."

This assertion is based on one or two figures on recent budget cutting measures, the story of a single mother in Amsterdam, of a son of a well-

off father, of a company executive with a 19-year old son in The Hague, and of professors in Amsterdam being elected by undergraduates.

It is probably a good idea to keep in mind that over the past three decades (and not just since the discovery of gas) the Dutch have been building up a social security system which they have every reason to be proud of. True, excesses in the system and the economic crisis have called for a reconsideration of the practical side of the social security system. Surely, however, an international comparison of facts would show that the Dutch welfare state remains as vital as ever, as well as the consensus behind it.

The suggestion that a national handover has replaced the dream of the welfare state can best be countered by a quotation from the recent Queen's Speech. On September 20, the Government's Policy Declaration read: "Here and now a choice is to be made for a government which intends to build upon the strength and team-spirit of its citizens, a government which will not allow the weak to be pushed off the road. And that is exactly the choice that has been made."

J. J. M. Kremers, Nuffield College, Oxford. F. L. D. Nivard, The Hague, Netherlands.

## When music critics differ

From Mr Ian Stirling

Sir,—Like many other musicians and music-lovers who attend concerts, one is interested to read the views of newspaper critics afterwards. It is part of the fun, and occasionally a performer may learn something of value; he or she may also find portions of the notice worth quoting in brochures or on future programmes. Thus the critic performs, basically, a worthwhile

service to the musical public. However, there is an increasing tendency at the moment for critics to display linguistic facility at the expense of all other considerations, in conjunction with an utterly negative disregard for the possible value of their own criticisms.

An example of the latter category is your review of the Queen Elizabeth Hall concert by Eugene Sartu and Gordon Back (October 18). Nobody objects to fair criticism, but vicious attack is another matter, for to express disapproval in insulting, repetitive terms, is not only distasteful but also disturbing both to the performers' careers and to your readers' opinion of the competence of the critic concerned.

For example, your reviewer writes: "Sartu's Faure (the A major sonata) was like Musak: utterly predictable, of one colour and phrasing, bored and mechanical of spirit." The only other reviewer, the same morning, wrote of the same work: "The violinist's tone colours in the outer movements were highly individual and the long sweeping phrases were effortlessly sustained by both performers."

Were both critics at the same concert? Ian Stirling, 33, Fosses Gardens, NW11.

## Securities industry and the EEC

From Mr Andrew Pearce, MEP

Sir,—The Council for the Securities Industry have sent us a Press statement in which they say they are well placed to make representations to the Stock Exchange, the Bank and the Department of Trade and Industry. Have they not heard of the European Community? Is it any wonder that so little progress is made in opening up Europe's markets to British financial expertise?

Andrew Pearce, MEP for Cheshire West, 30 Grange Road, West Kirby, Wirral.

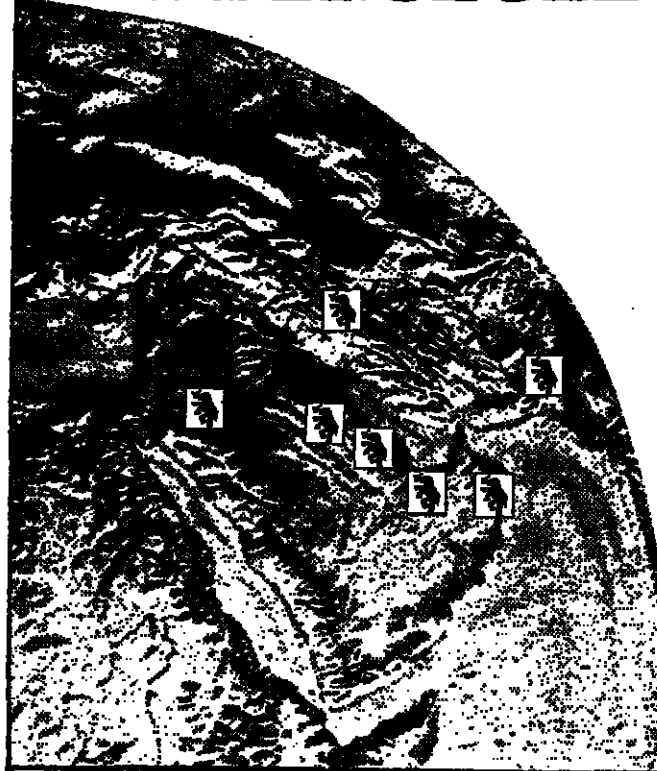
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## Bull enters production deal with Brazilian group

By David Marsh in Paris

BRAZIL is setting up an indigenous computer industry in collaboration with the French nationalised data processing group Bull.

Under an agreement announced yesterday, Bull is to take a 40 per cent stake in a Brazilian company which is being set up to manufacture locally Bull's range of DPS-7 medium to large computers used in banks and other big organisations.

The new company, which will be 60 per cent owned by the diversified private sector industrial group ABC, will be set up in the state of Minas Gerais, with production due to start in the first quarter of next year. About 25 per cent of ABC's current business is in electronics.

The company, called ABC-Empresa Telemática, may also be used to help expand Bull's business in the rest of South and Central America. Its capital will be around FF 100m (\$12.5m).

Bull is mainly owned by the French Government. A minority stake held by Honeywell of the U.S. is set to drop to around 7 per cent after a forthcoming capital increase.

The French company has been keen to enlarge its international activities. But its progress on major markets has been hampered by its policy of non-compatibility with IBM, the U.S. computer giant, as well as by a series of financial and industrial reorganisations over the last few years.

The production agreement in Brazil - where Bull already has a subsidiary employing about 150 - will allow the company to bypass restrictions on computer imports introduced by the Brazilian authorities to try to save foreign exchange.

As part of its new strategy of relying more on collaboration agreements with foreign computer manufacturers, Bull now has access to technology from Nippon Electric (NEC) of Japan, under the recent co-operation accord between Honeywell and NEC.

Bull said yesterday that it clinched the agreement after a series of negotiations with the Brazilians who had also approached other European, Japanese and U.S. computer companies. But it declined to give more details or to spell out the terms under which the deal was reached.

## Ministers firm on Lebanon peace-keeping

Continued from Page 1

But despite France's particularly strong condemnation on Wednesday of the invasion of Grenada, Mr Chénouet declined to discuss the issue, or his private talks with Mr Shultz yesterday.

Sir Geoffrey, for his part, said Mr Shultz had again given the U.S. justification for the invasion, based on the right of a state to take action to protect the lives of its subjects. Sir Geoffrey said the U.S. had not cited as a justification for the landing the apparent appeal for help made by Sir Paul Scoon, the Governor General of Grenada. He added that this appeal had not been communicated to Britain.

The invasion of the island came under heavy attack from the Soviet Union again yesterday. Mr Victor Stoukline, the Deputy Soviet Minister for Foreign Affairs, condemned the invasion as "an act of unjustifiable aggression," on the second day of the general conference of the United Nations Education, Scientific and Cultural Organisation (Unesco) in Paris. He expressed Moscow's "deep concern over the worsening of the international situation, which is without precedent in the post-war period."

## LABOUR PARTY FORCES GOVERNMENT ON TO DEFENSIVE

# Split over Thatcher's handling of Grenada

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

CONSERVATIVE PARTY MPs in Britain were last night divided and uneasy about the UK Government's handling of the Grenada affair.

Mrs Margaret Thatcher, Prime Minister, tried to put up a more robust defence of her Government's position than had been presented over the previous two days by Sir Geoffrey Howe, Foreign Secretary. But she failed to put an end to the arguments of the past week.

Replying to questions in the House of Commons, she said the differences between the British and U.S. governments over the invasion of the islands must not be allowed to impair the effectiveness of the alliance. She described the U.S. as "the final guarantor of freedom in Europe" and said that Britain had taken its own decisions over the Falklands Islands last year without the initial agreement of the U.S.

Mrs Thatcher also indicated that Britain would abstain in any vote in the United Nations Security Council seeking to condemn the U.S. action. She also sought to distance herself from Sir Paul Scoon, Governor General of Grenada, who she pointed out, was in no way the responsibility of the British Government, and denied that he had made any appeal to Britain for help.

Mrs Thatcher was non-committal about calls from Tory MPs that Britain should take the lead in a Commonwealth force to keep the peace in Grenada.

Britain has not received any such request, although, apart from any



Mr Neil Kinnock: forceful debut

policing role, the Government will undoubtedly be willing to send observers to any general election and to provide help for the rehabilitation of Grenada.

MPs on all sides of the Conservative Party believe the affair has made the Government - and in particular Sir Geoffrey - look weak and accident-prone.

Opinion among Tory MPs is split. One MP, Mr Ian Lloyd, last night circulated a motion supporting the U.S. action, and regretting the absence of British involvement. This quickly attracted a sizeable number of signatures, but a substantial minority of Tory MPs are strongly opposed to the U.S. action.

Some Tory MPs are also worried that the Government's apparent equivocation and clear lack of influence, over President Reagan's decision, will create considerable problems over the deployment of cruise missiles in the UK.

Labour MPs, including Mr Neil Kinnock, the party leader, have started to argue that the absence of consultation last weekend undermines the Government's claims about joint decision-making before any missiles are launched from Britain.

In contrast, the Labour Party had its best week at Westminster for several years, united behind its new leadership and forcing the Government on to the defensive.

Mr Kinnock was enthusiastically received by his MPs for a strong attack on the Government over the National Health Service.

Attacking the Government for health manpower cuts and for plans to privatise some services, he told Mrs Thatcher: "The health service cannot be dismantled or dismantled by British Prime Ministers or foreign economists - it is not theirs to get rid of. It belongs to the British people and they will strive to retain their proud possession."

"It is difficult to squeeze the health service much harder in the hope that you get efficiency, because it happens to be the most efficient medical system in the whole western world."

## Daimler-Benz lifts revenue despite truck market setback

BY JOHN DAVIES IN FRANKFURT

DAIMLER-BENZ, the West German car and commercial vehicle manufacturer, has lifted worldwide sales revenue despite a setback in markets abroad for heavy trucks.

Group revenue was up 2 per cent to DM 22.2bn (\$11.2bn) in the first nine months of this year, while the Stuttgart-based parent company increased revenue 4 per cent to DM 22.7bn.

The company gave no profit details, but said it expected a satisfactory result this year.

Daimler-Benz has increased the number of commercial vehicles sold in West Germany by 12 per cent, aided by government investment incentives and a revival in the building trade.

But it has been hit by the sharp drop in truck orders from developing countries, including oil producers, which have scaled back ambitious expansion plans because of payments problems. It has sold 10 per cent fewer commercial vehicles on export markets in the first nine months of this year.

The export decline has outweighed the uplift in domestic truck sales. As a result, Daimler-Benz's production of commercial vehicles within West Germany has fallen 7 per cent.

The group has slashed commercial vehicle output at its foreign plants even more sharply - by 19 per cent - but this is mainly because of bleak economic conditions in Brazil.

Daimler-Benz said that its Argentine operations had established employment, although at a low level. In the U.S., its Freightliner subsidiary increased output and market share, but Euclid still faced weak demand.

In car markets, Daimler-Benz has increased sales in West Germany by 8 per cent and, contrary to the industry trend, has boosted car exports by 3 per cent.

Car production is up 3 per cent to 353,820 and the year's output is expected to exceed 470,000, compared with 458,000 last year.

Daimler-Benz said that its new

190-models had established a dominant position in the compact class and the first year's production would reach 109,000. To make this production increase possible, the group has trimmed output of middle-range models, but plans to lift production again when its Bremen plant is ready for car assembly next year.

● Volkswagen, West Germany's biggest manufacturer of cars, confirmed yesterday that its workforce would decline by about 13,000 by 1987 from the peak of 120,600 in February last year.

The decline would arise from rationalisation measures but would not involve dismissals.

Adam Opel, the West German subsidiary of General Motors of the U.S., last week denied union claims that several thousand workers would be dismissed during the next five years.

But the company has declined to confirm or deny that rationalisation would lead to job losses through natural wastage.

## Glaxo reveals £14m payoff to ex-director

BY RAY MAUGHAN IN LONDON

GLAXO HOLDINGS, the giant UK pharmaceuticals and wholesale chemists group, revealed yesterday that it has paid a former director £250,000 (\$363,000) as compensation for loss of executive office.

Mr Guy Neely, the group finance director until his departure on June 10 this year, received this lump sum which includes a provision for funding his pension entitlement.

The group paid its 27,768 staff wages and salaries totalling £133.5m in the year to June, of which £102,889 was received by Sir Austin Bide, the chairman. Glaxo is proposing, however, that the "ordinary remuneration" of its directors shall not exceed £100,000 in total in any year "as the directors may from time to time decide."

The parting of Mr Neely and Glaxo was described in a guarded statement by the group as "ami-

cable" and indeed his notice is said to have been accepted "with regret."

It is also understood that Mr Neely was in the early years of a long-term service contract with Glaxo, which the company has honoured. But it has since executed a three-year service contract with Mr Charles Newcomb, the new finance director, with effect from the day of Mr Neely's departure.

Glaxo made profits of £192.4m last year, up from £133.5m in the previous period. Its recent performance and the prospects for a new range of anti-ulcer drugs have caught the imagination of many investors on Wall Street and, although its U.S. businesses have not yet reached break-even point, Sir Austin now says that "it is expected that our trading company, Glaxo Inc, will become profitable in the year to June 30, 1984."

## ICI and Du Pont lift earnings in quarter

Continued from Page 1

with net earnings of \$692m or \$2.91 a share on sales of \$2.5bn in the 1983 period.

The company, which last year announced plans to sell some \$2bn of assets in the wake of its acquisition of Conoco in order to reduce the debt it assumed to make the purchase, said its latest quarter results included gains totalling 13 cents a share from the sale of its consumer paint and microfilm businesses. Du Pont last week confirmed plans to sell some of Conoco's chemical assets to a management-led investment group.

Du Pont said that the special gain was partly offset by charges of 7 cents a share largely associated with an explosion and fire at the Le Plac, Louisiana, plant and damages and lost production at three Texas plants caused by Hurricane Alicia.

The earnings announcement was slightly better than industry analysts had been expecting and Du Pont's shares gained 5% after the announcement to trade around 552 1/2.

## SEC plans new rules on banks' broking business

By Paul Taylor in New York

THE U.S. Securities and Exchange Commission (SEC) yesterday formally proposed extending its rules covering the brokerage industry to those U.S. banks which have begun or plan to offer brokerage services to their customers.

The proposed regulations, which the SEC said could affect about 500 banks, were suggested following mounting pressure by the securities industry itself which has grown increasingly concerned about what it sees as the banking industry's incursion into its traditional business.

Under the terms of the SEC proposals, which will be open to public comment until the end of the year, banks which have "in house" brokerage businesses or plan to enter the industry, would have to be registered.

Many banks, including Security Pacific and Bank of America have either bought their way into the share broking business, set up subsidiaries to offer brokerage services or provide the services through an independent brokerage firm.

Those which have either bought brokerage houses or set up separate subsidiaries to offer brokerage services are already covered by SEC rules. The major impact of the proposed measures would therefore be to impose similar regulations on those banks which offer brokerage services in house - without a separate subsidiary - or which offer services through an outside broker.

These banks would be required to register if they publicly solicit brokerage business, receive commissions from brokerage work in conjunction with giving investment advice, or deal in or underwrite corporate securities.

The SEC said yesterday that its purpose in proposing the new regulations was to ensure that customers using bank brokerage services were protected from fraud and loss to the same extent they would be if using a traditional broker.

The SEC suggestion comes at a time when the whole issue of bank regulation and diversification is under active debate. The Administration has tabled a Bill which would extend banking powers and further remove some of the restrictions over bank entrance into the securities business. Several Congressional Bills are also being drafted, while a task force led by Vice-President George Bush is considering the separate issue of reforming the bank regulatory framework.

## THE LEX COLUMN

# More cables from the Treasury

The British Government has had no cause for complaint since floating Cable and Wireless into the private sector two years ago. The release of the Treasury hand seems genuinely to have encouraged a more entrepreneurial management style, the more distant Government connection has had no visible effect on the company's ability to win business, and shareholders, the Government included, have seen the value of their investment more than double from the original offer for sale price.

So it is scarcely surprising that the Government has returned to this shining model of privatisation in order to meet a tidy shortfall on its budgeted revenues from asset sales this year. Assuming a small discount to the current market price of 260p, the Government could attain its target of £1.25bn through the sale of around 30 per cent of C and W.

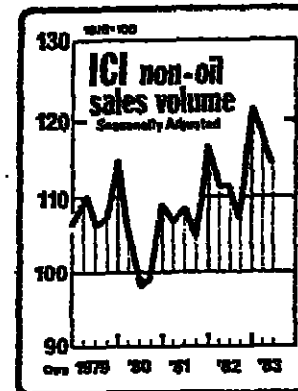
The current disposals look depressingly like housekeeping operations, in contrast to the high-minded offers for sale of earlier years. Taking downpayment on a few elegant acres of Dorset now seems likely to be the only real privatisation exercise of the current fiscal year, and that will net no more than £80m.

Yet it would have been difficult to accelerate the flotation of Enterprise, the former British Gas oilfields, while C and W should, in corporate finance terms, be a straightforward exercise. The Government will also retain ultimate control through the creation of a golden switchboard designed to jam unwelcome callers.

The Government will presumably try to make as much political capital as possible from the sale, through an offer for sale which again favours the small investor. There would be little mileage in announcing its intentions in advance - so putting a lid on the share price - if an institutional placing were the preferred option. The question of whether or not to underwrite has been left deliberately open, although, if the past is any guide, discretion will prove the better part of valour.

## Japanese electricals

Earnings growth in the Japanese electrical industry is extremely patchy, to judge from the latest crop of parent company interim figures for the six months to September. Almost the whole industry has



maybe £40m in a year. Since July, meanwhile, product prices have started to move ahead, which should underpin the performance in the current quarter.

Petrochemical operations in Australia and Canada have moved further into loss, however, while the fibres business remains in distress. But paints, crop protection products, oil and the pharmaceutical division are all running ahead healthily. The shares moved up 8p yesterday to 570p, which compares with 350p early in the year. Pre-tax profits are on course for £610m or so, producing a p/e of 8.7 on a 34% per cent tax charge.

## Royal Insurance

The catastrophic losses caused by Hurricane Alicia this summer have piled on the agony for the U.S. insurance industry, already flattened by excessive competition on rates. It would be suicidal for any company to seek organic growth from a small base in these conditions. But behind the major names are plenty of small companies occupying a profitable niche in the market, and Royal Insurance's strategy of growth by acquisition appears soundly based. Yesterday's announcement of an agreed bid for a small group in the lower Midwest states, Royal's third U.S. deal in 18 months, looks like taking the strategy a successful step further.

Royal's bid of \$35 a share for Silver - suspended at \$16 on Tuesday - implies a \$50.7m price which does not look cheap against the U.S. company's 1982 premium income of \$44m. But Silver has kept its total operating ratio below 100 per cent over the last five years and even this year's figure at 105.5 per cent compares well with an industry average expected to finish the year around 111 per cent or more. Its geographical location fits perfectly with Royal's U.S. expansion to date, its mix of business is broadly comparable with Royal's and the price looks in line with the net assets multiples presented by other recent deals in the industry.

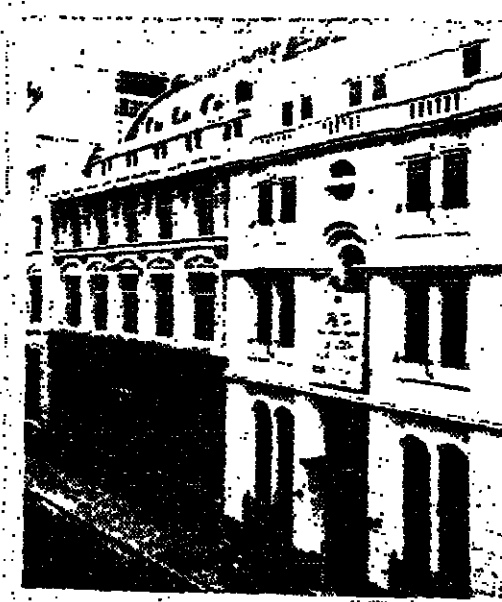
Royal intends to complete the purchase early next year, drawing on the larger part of its U.S. retained earnings rather than the 1980 rights issue proceeds originally billed for that purpose. After the foreign exchange gains foregone on that score, shareholders might feel entitled to hope the U.S. purchases will prove to have been more happily timed.

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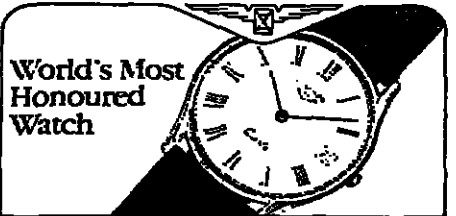


# SECTION II - COMPANIES AND MARKETS

## FINANCIAL TIMES

Friday October 28 1983

LONGINES



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### Legal action likely over option deal in Kaiser Steel offer

By Paul Taylor in New York

KAISER STEEL and the acquisition group led by Mr Joseph Frates, the Tulsa investor, which has offered about \$374m to acquire the steelmaker, have reached an agreement with a rival investors group led by Mr Irwin Jacobs. The deal appears to smooth the way for the Frates bid to proceed while also providing the Jacobs group with the chance to make a substantial profit.

But it has prompted an immediate threat of legal action from another major Kaiser shareholder, Mr Paul Kalomanovitz, who owns about 5 per cent of the equity. He told Kaiser yesterday that preferred treatment of the Jacobs group would violate securities laws and "bleed the company's assets".

Under the agreement announced yesterday the Jacobs group would receive a hefty premium for part of the 23 per cent stake it has built up in Kaiser in return for granting the company an option to buy back up to 1.18m shares.

The value of the Frates offer to most Kaiser shareholders is about \$50 a share. But the Jacobs group would receive about \$58 a share, in addition to the premium for the option, worth about \$142m.

The complex agreement seems highly likely to face a legal challenge from other Kaiser shareholders, possibly including Mr Kalomanovitz, but would clear the way for a vote on the Frates bid, which

topped an earlier bid worth around \$270m from the Jacobs group. In addition to granting Kaiser an option, the Jacobs group has also given the company an irrevocable proxy to vote any shares the group owns at the time of the planned shareholders' meeting on November 30 in favour of the Frates group bid - provided a majority of the other shareholders vote in favour of the offer.

Kaiser will pay \$12 a share plus interest for an option to buy up to 1.18m shares from the Jacobs group, if the Frates bid is approved, on the day of the shareholders' meeting.

The option would then allow Kaiser to acquire the Jacobs group shares for \$40 a share at any time between January 11 and May 1 next year.

When the Frates acquisition is completed, the option would then convert to an option to acquire for \$18 both shares of the preferred stock to be issued as part of the Frates bid.

Under the proposed Frates group offer, each shareholder is being offered \$22 in cash for each Kaiser share plus one share of preferred stock, paying a cumulative annual dividend of \$1.04, and a redemption or liquidation value of \$17, and one share of another preferred stock paying a cumulative annual dividend of \$2.25 and having a redemption or liquidation value of \$17.

### Drug problems hit Johnson & Johnson

By Paul Taylor in New York

JOHNSON AND JOHNSON, the major U.S. pharmaceutical group, yesterday reported flat third-quarter earnings and sales reflecting, in part, the continuing impact of its decision earlier this year to withdraw its Zomax prescription painkiller from the market.

The company withdrew Zomax from the market in March following reports that five people had died after taking the drug, which had worldwide sales of \$82m. Withdrawal of Zomax, which reduced first-quarter earnings by \$20m or 11 cents a share, "continues to have an adverse impact on 1983 sales and earnings," Johnson and Johnson said.

It was the second major blow to hit the company. A year ago the company was forced temporarily to withdraw Tylenol capsule products from the market following the trag-

ic death of seven Chicago area residents who took the drug after it had been tampered with and laced with cyanide.

Although the company has reintroduced Tylenol in new tamper-resistant packages and has regained much of its earlier 37 per cent market share, the third-quarter results yesterday provided a further reminder of the incident.

Net earnings were \$150.3m or 79 cents a share compared with \$96.5m or 51 cents a share a year earlier, when the Tylenol recall cost \$50m.

Worldwide sales for the latest quarter also remained flat at \$1.67bn.

The impact of the drug withdrawals is even more apparent in the nine month figures when net earnings were \$424m or \$2.23 a share, down from \$394m or \$2.10 a share.

### Setback for UAL as Delta increases income

By Our New York Staff

UAL, the holding company for United Airlines, the largest domestic carrier in the U.S. yesterday reported a decline in third-quarter net earnings while Delta Air Lines, with the help of a \$6.5m gain from the sale of aircraft, managed to post a larger than expected profit increase.

UAL, which has been concentrating on expanding its California routes, reported net earnings in the third quarter of \$63.8m or \$1.77 a share compared with \$102.4m - including an extraordinary \$36.6m gain - in the same period last year. The airline said its revenues in the third quarter increased to \$1.65bn from \$1.47bn in the same period last year.

Delta also reported a significant increase in revenues which grew to \$973.2m from \$876.5m, which helped the sixth largest U.S. air carrier report a net profit of \$10.4m or 28 cents a share in its fiscal first quarter ending September 30.

### Canadian telephone monopoly attacked

By Nicholas Hirst in Toronto

THE MONOPOLY position of Canada's two largest telephone companies is under attack following an application by CNCP Telecommunications, jointly owned by Canadian National and Canadian Pacific, for permission to offer cheap long-distance calls.

If the application is granted it will open up telephone services in Canada to the same kind of competition on long-distance calls that has developed as a result of deregulation in the U.S. and is opening up in Britain.

CNCP has asked the Canadian Radio-Television and Telecommunications Commission, Canada's main telecommunications regulatory body, to order Bell Canada and the British Columbia Telephone Com-

pany to allow their local subscribers to call into CNCP's long-distance network from their home or office.

Mr Jack Sutherland, CNCP Telecommunications president, said, "We plan to offer services at reduced rates, on average 10 to 20 per cent lower than rates offered by the telephone companies."

CNCP is already allowed to offer telephone services on dedicated private lines for business users, but cannot offer a cheap rate service to the public.

### NATURAL GAS GLUT CONTINUES TO HAMPER DOMESTIC EARNINGS

## Cost controls fuel U.S. oil recovery

By William Hall in New York

AFTER TWO years in the doldrums the U.S. oil industry is staging significant recovery in earnings. Although there is little sign of any increase in free world petroleum demand, the benefits of much tougher cost controls, cutbacks in capital spending and a restructuring of the downstream refining and distribution operations are beginning to show through at the bottom line.

Exxon and Mobil, the top two U.S. oil majors, report that their net income was up by 21 per cent and 43 per cent respectively, and Exxon underlined its growing confidence that the worst is over in the international oil industry by increasing its quarterly dividend for the first time since the fourth quarter of 1980.

Net income of the top 14 U.S. oil companies to report so far, rose by an average 14 per cent in the third quarter and by an average 6 per cent in the first nine months of the year. But these earnings increases mask important differences in performance.

The big international companies which earn a substantial part of their profits overseas, performed much better than the U.S. domestic integrated oil companies. In the last quarter the top five U.S. international oil companies increased their net income by an average 23.5 per cent, while the remainder only managed a 5.3 per cent increase.

Over the first nine months of the year the variation is even more marked with the international oil majors boosting their net income by close to a fifth, while the domestic companies posted a 6.8 per cent decline.

One of the main reasons for the divergence was that last year the

MAJOR U.S. OIL COMPANY RESULTS FOR 1983									
	Rev \$m	% chg	Net Inc \$m	% chg	Rev \$m	% chg	Net Inc \$m	% chg	
Exxon	23.9	(7.6)	1225	25.5	68.8	(6.4)	3380	24.2	
Mobil	14.2	(2.8)	404	42.3	42.9	(8.9)	1038	18.0	
Texas	10.2	(12.2)	331	12.2	30.5	(16.7)	977	10.0	
Shell	7.7	(11.8)	589	10.8	21.7	(22.9)	1102	24.7	
Amoco	7.5	-	276	74.0	21.4	(5.0)	691	1.8	
Domestic Integrated									
Standard (Refined)	7.2	(8.5)	584	5.0	22.1	(1.9)	1400	(2.5)	
Al. Rockefeller	6.4	(4.3)	448	1.0	18.2	(2.4)	1128	(7.0)	
Shell	5.1	(4.0)	408	1.0	14.5	(2.7)	1084	(2.0)	
Occidental	4.9	(11.4)	181.8	105.8	14.4	(11.7)	321	165.0	
Phillips	3.9	(2.8)	175	15.0	11.3	(4.3)	474	(2.8)	
Exxon	3.8	(4.6)	187	5.8	11.3	(7.8)	382	1.6	
Valero	3.0	(10.8)	435	18.7	8.9	(12.6)	1180	(13.3)	
Getty	2.9	(6.5)	184	1.0	8.0	(4.3)	232	(27.8)	
Union	2.7	(1.4)	188.2	(15.3)	8.0	(1.8)	448	(31.0)	
American Hess	2.4	(1.4)	75.1	(8.2)	6.1	(3.9)	198	15.8	

Source: Corporate Earnings Reports

Aramco partners (Exxon, Mobil, Texaco and Shell) had to buy Saudi Arabian crude at the listed Opec price when world oil prices were lower.

This year, spot market oil prices have been much closer to the listed prices and the Aramco partners have been at far less of a disadvantage, which is reflected in above average growth in their international earnings.

Exxon reports that its earnings from U.S. petroleum exploration and production were virtually unchanged at \$1.4bn in the third quarter, but its earnings from its foreign operations were up by 50 per cent at \$1.4bn. Similarly, Mobil reported that \$100m of its \$107m increase in third-quarter earnings came from its overseas operations.

U.S. oil companies, which are more heavily dependent on domestic

earnings, continue to be hard hit by the glut in U.S. natural gas markets. Shell Oil, which earns a bigger proportion of its profits from the domestic U.S. market than most big oil companies, notes that a 14 per cent drop in its natural gas production and a \$2 per barrel drop in average domestic crude oil prices over the last year more than offset the gains from higher U.S. oil production and was responsible for the drop in third-quarter earnings from its petroleum operations.

Third-quarter results of many U.S. oil companies were boosted by improved profitability in their downstream refining and distribution operations. Standard Oil of Indiana says that its domestic refining and marketing operations more than doubled their contribution to \$152m in the third quarter.

Other factors which helped high-

er third-quarter earnings were improved contributions from most companies' chemical operations and a general cutback in capital spending of close to a fifth. Developments in these areas helped offset the negative impact of an average 5 per cent-plus decline in third-quarter revenues.

Although the mood in the U.S. oil industry is considerably more optimistic than it was a year ago, there are still significant differences in performance between the companies and not all of them have adjusted to the new climate in the world oil markets.

In the short term, stock market attention is focused on Gulf Oil, arguably the weakest member of the so-called "seven sisters" - the group of oil companies which once ruled the international oil world. Gulf's stock market performance has dis-

appointed investors in recent years, and a group of dissident shareholders led by Mesa Petroleum, a Texas oil company better known for speculating in oil shares than producing oil, has built up a stake of 10.8 per cent in the group.

The intentions of the group are unclear but it appears that they want to enhance the value of their shares by encouraging Gulf, one of the pillars of the U.S. business establishment, to split itself into smaller operations which would be worth far more in total.

Gulf is preparing for a showdown with the dissident shareholders which could take place at a special meeting in early December. At this meeting shareholders will vote on the group's plans to form a new holding company in Delaware which will protect it from disruptive action by minority shareholders. In the meantime, Gulf executives have been reassuring undecided Wall Street investment managers, that the recovery in profits is now showing through.

The third-quarter net income was up 74 per cent, the company has increased its dividend and Mr James Lee, Gulf's chairman, says that the group's efforts to cut costs and restructure itself over the last couple of years "are beginning to pay off".

The other major U.S. oil company being watched closely by Wall Street is Armand Hammer's Occidental Petroleum, which last year catapulted itself into the big league through the \$4bn purchase of Cities Service company. Unfortunately, the combination of falling crude oil prices and high interest rates has given the company problems digesting the deal.

### Sohio suffers 10% drop in profits

By William Hall in New York

STANDARD OIL Company of Ohio (Sohio), the large U.S. oil company in which British Petroleum has a majority stake, has reported a 10.7 per cent drop in third-quarter net income to \$435m, or \$1.76 a share.

Mr Alton Whitehouse, Sohio's chairman, said the strong performance of refining and marketing operations and improved results in metals, mining and coal businesses partially offset reduced production and exploration earnings.

Revenues in the third quarter fell 10 per cent to \$3.9m and for the nine months 13.6 per cent to \$3.9m. Net income for the nine months fell 16 per cent to \$1.19m.

Occidental Petroleum, which acquired Cities Service last year and catapulted itself into the top 10 U.S. oil companies, has continued its earnings recovery. Its third-quarter net income totalled \$151.8m against \$25.1m last year when results were depressed by losses in the group's coal and chemicals business and sharply higher interest charges. Per share earnings jumped from 3 cents to 63 cents.

Shell Oil, the majority-owned U.S. subsidiary of the Royal Dutch-Shell group, has increased its third-quarter net income by 1.6 per cent to \$48m. But earnings for the first nine months are 7 per cent lower at \$1.65m.

### TWA to be hived off

By Our New York Staff

TRANS WORLD AIRLINES (TWA), the biggest scheduled carrier in the North Atlantic, is to be spun off as an independent airline, by its parent Trans World Corporation.

Trans World Corporation sold an initial 10 per cent stake in the company to investors in February at \$44 per share. The shares have traded as high as \$18 earlier this year, but as speculation has mounted that Trans World Corporation intended to divest itself of the entire airline.

TWA is the single largest part of Trans World Corporation, a conglomerate which also owns the Hilton International Hotel chain, Century 21, a network of real estate brokers, the Canteen Food Services operations and the Spartan restaurant chain. TWA accounts for two-thirds of Trans World's total revenues and its poor performance over the last few years has overshadowed the group as a whole.

In the first nine months of 1983 Trans World Corporation made pre-tax profits of \$50.8m on revenues of \$3.9bn.

### LTV reduces loss by 14% in third quarter

By Our New York Staff

LTV, the third largest U.S. steel company, reduced its losses by 14.8 per cent in the third quarter to \$49.1m from \$58.3m, while sales rose marginally from \$1.01bn to \$1.07bn.

LTV, which is proposing to merge with Republic Steel, reported that its nine months loss amounted to \$188.2m against \$58.8m in the same period of 1982. On the basis of its continuing operations, however, LTV's nine-month loss reached \$24.1m against \$68.5m.

Mr Raymond Hay, chairman and chief executive, said yesterday that the reduction in losses both from the previous year and the preceding quarter reflected steady improvement in the markets for steel and energy products and strong growth in the company's aerospace and defence business.

### Tenneco loses in quarter

By Our New York Staff

TENNECO, the Houston-based conglomerate, has suffered a drop of more than one fifth in its net income from continuing operations in its third quarter. Lower earnings from energy operations and lower profit margins on construction and farm equipment left the total at \$159m.

Revenues in the third quarter fell from \$3.0bn to \$2.8bn. For the nine months revenues are 4 per cent down at \$10.6bn.

### Bruxelles Lambert seeks Bfr 6.7bn through rights

By Paul Cheeswright in Brussels

GRUPE BRUXELLES LAMBERT (GBL), the second largest financial and industrial holding company in Belgium, has acted to consolidate its rapid expansion over the past two years with the biggest rights issue ever placed on the Brussels Bourse.

A major portion of the Bfr 6.7bn (\$120m) it is seeking to raise through a one-for-two issue is already committed, GBL said yesterday.

The issue itself was planned six months ago to take advantage of tax concessions offered on capital raising by the Belgian Government. Over half the group's shareholders are institutions and they had let it be known that they would exercise their rights.

About Bfr 1bn will be used to pay for the build-up in 30 per cent of a

stake in Banque Internationale Luxembourg. Further funds will be placed with Electrabel, which also is increasing its capital. Another Bfr 1bn is likely to be spent on repaying part of GBL's Bfr 2.5bn long-term debt, largely where interest rates of over 9 per cent are being paid.

GBL noted that the rights would improve its debt-equity ratio, so that it would be better placed to undertake new projects even if in some cases moderate borrowing was necessary.

Under Belgian regulations, 60 per cent of the capital raised has to be spent in Belgium, if tax concessions are to be applied. Of the balance, GBL will probably spend more in the U.S., where its main vehicle, Lambert Brussels Corporation, has a 36 per cent stake in

Drexel Burnham Lambert, the securities company.

The rights issue is GBL's third equity capital increase in less than two years, a factor which weighed in the setting of the subscription price at Bfr 1.825, a substantial discount to the company's recent share price level of around Bfr 2.300.

GBL's rights announcement follows capital raising exercises by two other major Belgian financial institutions.

Société Générale is raising Bfr 8bn through a mixture of share and loan stock offers; its rights issue offers 3.62m shares, on the basis of one-for-three, at Bfr 1,500 a share.

And Kredietbank, the third largest Belgian bank, is having a one-for-six rights issue to raise between Bfr 2.36bn and Bfr 2.47bn.

### Swedish group bids for stake in Aker

By Faye Gjester in Oslo

A SHIP and platform building yard in Sweden's state-owned Svenska Vary shipbuilding group is among the bidders for a stake in the Norwegian Aker ship and platform-building concern, which is being restructured and is seeking fresh capital.

The Swedish company, Göteborgs Aker, would like to acquire 20 per cent of Aker's shares, the maximum a foreign partner is normally allowed to hold in a Norwegian industrial company, according to Göteborgs' managing director, Mr Rolf Bergstrand.

Aker has recently been reorganising to concentrate on oil-related activities, and Göteborgs hopes that a link-up with the Norwegian concern would help it overcome

Norwegian protectionist tendencies and win more work in Norway's offshore fields.

The restructuring of Aker will involve a sharp reduction of the 75 per cent stake in the group now held by the Fred Olsen shipping interests. This is expected to take place through a capital write-down, followed by placement of new shares worth a total of around Nkr 100m (\$13.5m).

The Olsen interests are negotiating with a number of prospective partners. Besides Göteborgs these are believed to include the Norwegian industrial group Norsk - with interests in oil-related activities as well as the production of cement and building materials - and a number of leading Norwegian banks and insurance companies.

### Scanvest-Ring issues private placement

By Faye Gjester in Oslo

SCANVEST-RING, a fast-growing Norwegian company which markets computer and office equipment, has increased its share capital by Nkr 3.5m (\$476,190) to Nkr 12m through the private placement of 350,000 new shares, par value Nkr 10, at a price of Nkr 450 each.

The Nkr 151.5m of fresh capital thus raised has come largely from abroad. Only 10 per cent of the new shares were placed in Norway, and these went to institutional investors. Scanvest-Ring has applied for an "ordinary" listing on the Oslo bourse. At present, it is quoted only on the so-called "brokers' list".

In Sweden, where 75,000 shares have been sold, the company will shortly be quoted on the Stockholm Exchange. The remaining 245,000 have been placed in the UK, Belgium, Switzerland, West Germany and the U.S.

Scanvest-Ring, formed earlier this year by the merger of Scanvest EDB, a computer specialist, and Gustav A. Ring, producers of intercom systems and telecommunications equipment, has since acquired or merged with other firms active in related fields, such as the Danish subsidiary of Datapoint of the U.S. and Carl Lamm AB.

It expects a profit this year of Nkr 33m on sales of Nkr 450m, compared with Nkr 14.1m on sales of Nkr 163m last year.

The company recently secured permission from the Norwegian authorities to increase from 20 per cent to 40 per cent the maximum proportion of its share capital that can be held by foreigners.

### Gambling aids recovery at Ramada Inns

By Our New York Staff

RAMADA INNS, the large operator of U.S. motor hotels, has produced a sharp increase in earnings on more than doubled profits from gambling operations. Net income before extraordinary items amounted to \$11.3m in the latest quarter, which the company says is 50 per cent better than the performance in any previous quarter.

A pre-tax gain of \$11.2m on sales of hotels and an extraordinary tax item of \$4.6m helped boost the group's third quarter net income from \$1.78m to \$22.0m in the latest quarter. For the nine months, Ramada reports a net income of \$13.5m compared with a net loss of \$10.9m for the same period of last year.

The group's gaming group income rose from \$7.95m to \$19.7m in the latest quarter.

### Sharp fall for Activision

By Louise Kehoe in San Francisco

ACTIVISION, a California video game maker, has suffered a sharp reverse in its second quarter to October 1, with a net loss of \$4.1m or 13 cents a share against profits of \$4.4m or 15 cents.

The latest loss comes after a tax credit of \$3.8m, and takes six-month results into the red at \$3.9m or 12 cents a share, against a profit of \$8.7m or 29 cents. Sales in the latest quarter dropped from \$32.1m to \$13.2m, and for the six months from \$82.7m to \$39.5m.

Mr Jim Levy, president, admits that the current problems of the video game market have affected Activision adversely. A "growth oversupply of games has substantially reduced access to retail shelf space," he says.

### Commodore advances

By Our New York Staff

COMMODORE INTERNATIONAL, the U.S. home computer maker, has reported an earnings surge in its fiscal first quarter ending October 1 and expects record results in the next quarter.

But the results disappointed Wall Street. Net earnings were \$24.4m or 79 cents a share compared with \$14.9m or 44 cents a share in the same period last year, but below the

\$28.7m earned in the quarter to June 30.

Commodore's sales in the latest quarter more than doubled to \$209m from \$103.3m.

Atari, the Warner Communications video game and home computer subsidiary, is to market a series of video games to run on its competitors' machines.

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## INTERNATIONAL COMPANIES and FINANCE

## Modest advance by Australian Guarantee

BY LACHLAN DRUMMOND IN SYDNEY

AUSTRALIAN Guarantee Corporation, the largest finance company in the country, ended its year to September 30 with a modest 1.2 per cent gain in net earnings from A\$96.3m to A\$97.5m (US\$80m).

The result included A\$1.2m from General Credits, the financier bought from AGC's 70 per cent shareholder, Westpac Banking Corporation, on July 1, as well as the costs of integrating the new subsidiary. But it mostly reflected the effects of recession through poor demand for funds, higher interest costs and a jump in bad debt write-offs from A\$20m to A\$38.8m.

Debt charges declined from \$20.8m in the first six months to A\$17.8m in the final half-year, however, allowing the group to post an 11 per cent increase in earnings to A\$45.7m for the final period to offset the opening six months 7.8 per cent decline.

The result was most heavily affected by a plunge in AGC's direct property development ventures as well as a downturn in lending to this sector.

## Japanese electrical majors well ahead

By Yoko Shibata in Tokyo

JAPAN'S three major integrated electric appliances manufacturers reported improved earnings in the first half-year ended September 30, thanks to brisk sales of semiconductors and office automation equipment which for the first time surpassed sales in heavy electric machinery.

Hitachi especially showed a marked improvement in sales and earnings. Recurring profits surged by 19 per cent to ¥89.5bn (\$385m). Net profits were 15 per cent higher at ¥41bn on sales of ¥1,280.97bn, up 11 per cent. Profits per share were ¥14.63, against ¥13.90 a year ago.

Sales of home electric appliances advanced by 12 per cent to account for 23 per cent of total sales. VTR sales were particularly strong, with turnover in the U.S. tripled.

Information and communication sector sales moved up by 24 per cent to account for 32 per cent of the total. Semiconductor sales totalled ¥157bn, up 34 per cent, and full-year semiconductor sales are projected at ¥330bn, up 33 per cent, with overseas turnover accounting for about one-third. Computer sales totalled ¥207bn, up 27 per cent, and full-year sales are projected at ¥425bn, up 17 per cent.

Hitachi's exports improved by 14 per cent to account for 32 per cent of total turnover.

Capital outlay for the current year is expected to total ¥140bn, up 16 per cent from fiscal 1982, with a ¥60bn outlay in the first six months. Research and development expenditure for the year is seen at ¥185.4bn.

For the full year ending March, Hitachi projected recurring profits of ¥179bn, up 14 per cent. Net profits are expected to rise by 10 per cent to ¥89bn on sales of ¥2,570bn, up 10 per cent.

Toshiba reported better than expected earnings and foresees a rapid recovery for the full fiscal year. Half-year recurring profits were up 2 per cent to reach a record of ¥46.82bn. Net profits were ¥25.02bn, up 1 per cent, on record sales of ¥938.97bn, up 7 per cent. Net profits per share improved to ¥10.2 from ¥8.62.

Sales of electronic components and industrial electronics surged by 22 per cent to account for 34 per cent of the total.

A rise in volume sales overseas wiped out the negative effects caused by the recent appreciation of the yen.

Toshiba foresees further improvement in sales of electronic components in the second half-year. It expects full-time recurring profits of ¥96bn, up 16 per cent and net profits of ¥51bn, up 10 per cent, on sales ahead 15.6 per cent at ¥2,050bn.

Mitsubishi Electric improved half-year recurring profits by 2.5 per cent to ¥46.82bn. Net profits were ¥23.26bn, up 3.4 per cent, on sales of ¥707.23bn, up by 5.1 per cent. Net profits per share were ¥7.69, against ¥7.53.

Sales in the electronic components and industrial machinery improved by 14 per cent to account for 37.5 per cent of total turnover, thanks to strong sales of computers.

For the current half-year ending March, Mitsubishi expects continued strong sales of semiconductors and office automation equipment with brisk exports. Full year recurring profits are projected at ¥53bn, up 5.2 per cent. Net profits are seen at ¥27bn, up 7.6 per cent, on sales of ¥1,560bn, up 12 per cent.

Lex. Page 16

## Limits on VTR exports hurt JVC's profits

By Our Tokyo Staff

VICTOR COMPANY of Japan (JVC) has reported a 32.3 per cent drop in net profit to ¥8.04bn (\$34m) in the first half year ended September 1983, a result of the blow to video tape recorder sales from Japan's voluntary limitation of exports to Europe.

JVC's half year pre-tax profits were down by 26 per cent to ¥18.5bn. Sales at ¥260.73bn, were up by 1.9 per cent from the previous year. Net profits per share for the period fell to ¥38.61, from ¥57.03 in the previous year.

During the half year, the company's audio equipment sales showed a rapid recovery, rising by 17 per cent to account for 20 per cent of the total turnover. Sales of television sets also fared well, increasing 8 per cent to account for 10 per cent of the total.

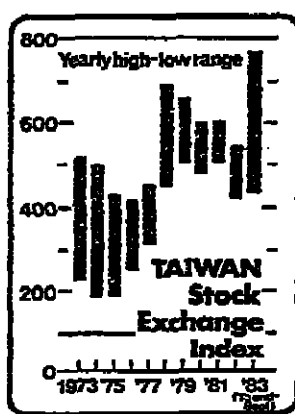
However, VTR's, the mainstay of JVC's sales, dropped by 2 per cent to account for 66 per cent of the total.

In the current half year ending March 1984, JVC is shifting its sales efforts for VTRs to the U.S. from the European market.

JVC hopes VTR sales in the second half year will increase by ¥20bn over the first half. Full year net profits are expected to reach ¥17bn, down by 11 per cent, on forecast full year sales of ¥540bn, up by 8.5 per cent from the previous fiscal year.

## Taiwan opens its market to foreign investors

BY ROBERT COTTRELL IN HONG KONG



Three of the Taiwanese banks are government-owned, giving the Taiwanese Government control over one-third of ITC's equity. The president of ITC is Mr. Robin Hall, brought in from the London merchant bank Robert Fleming which is one of the participating foreign institutions.

This first major step towards liberalisation of the 21-year-old Taiwan stock market follows

four years of government deliberation, originally sparked by lobbying from local investors and securities firms. The liberalisers' case was strengthened by the opening-up to foreign investors of the Korean stock market in 1981. In 1982, Taiwan's senior policy-making body, the Executive Yuan, approved a gradual opening-up of the local market to overseas

interests, starting with indirect purchases through an authorised investment trust—the development now taking place.

The Taiwan (R.O.C.) Fund—R.O.C. stands for Republic of China, the name by which Taiwan prefers to be known—operates within guidelines agreed with the Taipei Government. Most significantly, investors must hold units for at least two years before redeeming them. The fund cannot hold more than 10 per cent of its assets in any one company, nor own more than 10 per cent of any one company's shares. The fund must observe a minimum liquidity margin specified by Taiwan's Securities and Exchange Commission—a level currently fixed at 10 per cent.

A relatively straightforward tax situation has been agreed with the Taiwan Government. The fund's dividend and interest income will attract a tax rate of 20 per cent, the rate applied by Taiwan to non-resident foreigners. Taiwan also has on its statute books a 35 per cent tax levied on net gains from securities trading. The Government has, however, suspended this tax in respect of non-professional investors for each year since 1976, in order to stimulate the stock market. The fund will benefit from this suspension; and, if the tax is reimposed, the fund is guaranteed an exemption until 1990. The fund will pay no other income or withholding tax.

## How the exchange works

THE TAIWAN Stock Exchange (TSE) currently lists 119 companies with a total market capitalisation of some \$7.5bn—making it larger than Korea though much smaller than Hong Kong or Singapore. There are 27 locally-licensed stockbrokers, of which 14 are pure brokerage houses and 13 banks which also offer a broking service. As well as common stocks, reflecting the broad spread of the economy, the exchange also quotes 31 bonds, though these accounted for only 0.4 per cent of turnover in 1982.

According to estimates made by Vickers da Costa, quoted Taiwan companies tend to be highly-g geared and highly-rated by international standards. The average debt/equity ratio of the 59 leading companies between 1978-81 ranged from 3.1 to 5.8:1. Excluding the highly-g geared banks, the ratio would fall to the 2.1-3.1 range.

Corporate profits fell by 37 per cent in 1981 and a further 37 per cent in 1982, pushing average price earnings multiples up from around 11 in 1980 to a Vickers estimate of 49 in 1982. Basing its calculations on March 1983 share prices, when the Taiwan Stock Exchange index stood at 620, Vickers estimates an average prospective p/e this

year of around 24. While profits are likely to rebound sharply this year—Vickers estimates a near-fourfold improvement—share prices have also risen. The TSEI now stands around 700, having traded in the mid-400s in the closing quarter of last year.

A significant feature of trading is a limit of 5 per cent on the movement of a share price in a single day. The stock market is sold by brokers to be rife with rumours and ramps, with rigorous corporate research still in its infancy. It is only this year that companies are being dragged into fully consolidating their accounts.

## North American quarterly results

AMERADA HESS			
Third quarter	1983	1982	
Revenue	2,360m	2,320m	
Net profit	75.14m	91.52m	
Net per share	0.58	0.59	
Nine months			
Revenue	6,15m	6,20m	
Net profit	148.3m	125.0m	
Net per share	1.75	1.48	
SHELL CANADA			
Third quarter	1983	1982	
Revenue	2,360m	2,320m	
Net profit	75.14m	91.52m	
Net per share	0.58	0.59	
SHELL PETROLEUM			
Third quarter	1983	1982	
Revenue	2,360m	2,320m	
Net profit	75.14m	91.52m	
Net per share	0.58	0.59	
AMERICAN NATURAL RESOURCES			
Third quarter	1983	1982	
Revenue	2,360m	2,320m	
Net profit	75.14m	91.52m	
Net per share	0.58	0.59	
NORTHWEST AIRLINES			
Third quarter	1983	1982	
Revenue	2,360m	2,320m	
Net profit	75.14m	91.52m	
Net per share	0.58	0.59	
BALLY MANUFACTURING			
Third quarter	1983	1982	
Revenue	2,360m	2,320m	
Net profit	75.14m	91.52m	
Net per share	0.58	0.59	
CHAMPION SPARK PLUG			
Third quarter	1983	1982	
Revenue	2,360m	2,320m	
Net profit	75.14m	91.52m	
Net per share	0.58	0.59	
CLEVELAND ELECTRIC			
Third quarter	1983	1982	
Revenue	2,360m	2,320m	
Net profit	75.14m	91.52m	
Net per share	0.58	0.59	
COMPUTERVISION			
Third quarter	1983	1982	
Revenue	2,360m	2,320m	
Net profit	75.14m	91.52m	
Net per share	0.58	0.59	
DIAMOND SHAMROCK			
Third quarter	1983	1982	
Revenue	2,360m	2,320m	
Net profit	75.14m	91.52m	
Net per share	0.58	0.59	
GENERAL RR			
Third quarter	1983	1982	
Revenue	2,360m	2,320m	
Net profit	75.14m	91.52m	
Net per share	0.58	0.59	
JEN WALTER CORP (JWC)			
Third quarter	1983	1982	
Revenue	2,360m	2,320m	
Net profit	75.14m	91.52m	
Net per share	0.58	0.59	

**ENTE NAZIONALE PER L'ENERGIA ELETTRICA (ENEL)**

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In accordance with the provisions of the Debentures, notice is hereby given that for the six month interest period from 28th October, 1983 to 30th April, 1984, the Debentures will carry an interest rate of 10 1/2% per annum and that the interest payable on the Interest Payment Date, 30th April, 1984 against Coupon No. 7 will be U.S. \$517.10.

**The Sumitomo Bank, Limited**  
Agent Bank

**U.S. \$20,000,000**

**Kay Capital N.V.**

**Guaranteed Floating Rate Notes Due 1985**

**Kay Corporation**

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the three month period (94 days) from 28th October, 1983 to 30th January, 1984 has been fixed at 10 1/2% per annum.

On 30th January, 1984, interest of U.S.\$275-80 per Note will be due against coupon No. 18.

**J. Henry Schroder Wagg & Co. Limited**  
Reference Agent

**SNCF**

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**Société Nationale des Chemins de Fer Français**

**Floating Rate Notes due 1988 and Warrants to Purchase U.S. \$150,000,000**

**14 1/4% Bonds due April 28, 1990**

For the three months 28 October 1983 to 30 January 1984

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 9 1/4% per cent and that the interest payable on the relevant interest payment date, 30 January 1984 against Coupon No 7 will be U.S. \$25-30 per U.S. \$1,000 Note and U.S. \$252-95 per U.S. \$10,000 Note

Agent Bank  
**Morgan Guaranty Trust Company of New York, London**

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Société Anonyme

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**NOTICE OF ORDINARY GENERAL MEETING**

The shareholders of Compagnie Bancaire are invited to attend an Ordinary General Meeting to be held on Monday 21st November, 1983 at 3.30 p.m. at the Head Office, 5 avenue Kleber, Paris 16ème, to consider the following Agenda:

—To authorise the Board of Management to issue bonds to a total of fr. 5 billion.

In order to attend or to be represented at the Meeting, owners of registered shares must have entered on the register five clear days prior to the Meeting. Holders of bearer shares must deposit, at least five clear days prior to the Meeting at the Head Office, either their share certificate or a certificate of deposit, issued by the bank, financial institution or stockbroker with whom their shares are lodged.

Shareholders who wish to attend the Meeting are requested to make advance application to the Company for an admission card.

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## THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

David Marsh talks to the new chairman of Poclain, France's struggling construction equipment group

## An American in Paris

THE CHAIRMAN'S hot seat at Poclain, France's financially-troubled construction maker, is now occupied by an action-packed all-American frame. In a further tilt at Gallic orthodoxy, it is sometimes displayed in the appropriately steamy surroundings of the workers' shower room.

New Jersey-born David Bigelow, 52, a senior executive at Case-Tenneco of the U.S., which is Poclain's main shareholder (with 40 per cent), took over this summer as part of a plan to dig Europe's leading manufacturer of hydraulic excavators out of trouble.

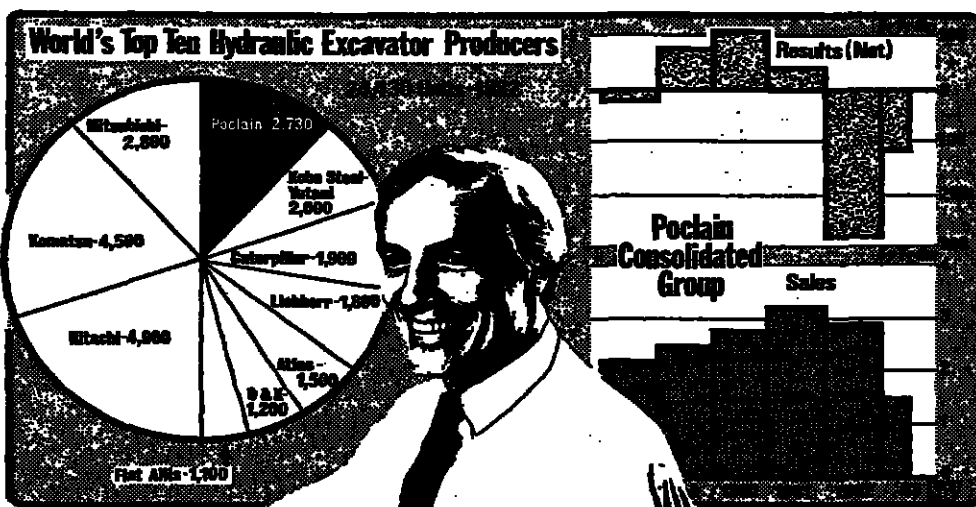
Before the first oil crisis a decade ago, Poclain, which also makes cranes and hydraulic components, was one of the brightest jewels on the world construction scene. Since then it has been paying the price for previous over-optimistic expansion on the back of an inadequate capital base.

The company has been forced to make drastic workforce cuts, and a major rescue package—involving FFr 680m (£57m) in capital injections and loans from shareholders and French banks—was put into place during the spring. But Poclain is still losing money heavily as a result of the continuing international downturn on building markets and fierce competition from low-cost Japanese producers.

Big and broad-beamed Bigelow, with a craggy grin that looks more suited to catching the attention of waitresses than selling hydraulic shovels, likes to be called "Dave" by French fellow executives. Raising some eyebrows at Poclain's headquarters at Le Plessis, north of Paris, after jogging sessions he occasionally drops in to shower in the workers' wash rooms.

Bigelow's role at Poclain will be to combine informal charm with no-nonsense American management grit. The aim, he says, is to reduce the company's production costs by about 20 per cent over the next few years.

In a market where demand is unlikely to improve at least for another year, more painful cuts in the workforce look inevitable. Case, the construction machinery arm of the Houston-based Tenneco energy group, aims to strengthen links with Poclain in areas like distribution and components supply.



Dave Bigelow: "We will have a very significant loss this year. We have to stop it."

But the Communist-backed CGT trade union, claiming that this strategy, together with plans to concentrate on key product lines and to slim or close unprofitable plants, will end up turning Poclain mainly into an assembly plant for equipment bought from the U.S.

The CGT greeted Bigelow's arrival by distributing caricatures portraying the new boss as a slick-looking gun-slinger on the front of a dollar bill, and calling for action against "the law of the dollar."

Bigelow declares that the short-term goal is one of consolidation. Streamlining is the only way. "If we don't do it we're not going to succeed." "Poclain is going to have to make money in the market as it exists. We can't rely on a recovery to solve all our problems—I can't see that one is going to happen, either France or globally."

But longer term he aims to put back some dynamism into a company ravaged by the setbacks of the last few years. Bigelow already knows Poclain. He served as managing director between 1978 and 1981 after Case-Tenneco took its stake—after a previous financial crisis at the company—in 1977.

But his appointment as chairman, announced in May, adds up to a clear break with the past. Bigelow replaces Pierre Batille, previously in the job since 1967, who himself is the son of Georges Batille, the

founder of the firm in 1927. Pierre Batille is staying on as chairman of Poclain's supervisory board. But a new four-man management committee, headed by Bigelow, now takes charge of operations.

"The company has left the family domain. That constitutes a juncture. It's not just Dave Bigelow at the head. Existing people are being used in a different way. It's not just one person, but the way of approaching things has changed."

Bigelow pays tribute to the way the company was built up. "We are here where we are because of decisions taken in the past. I would not be here talking to you about our being the No 1 European producer if past management had not been effective."

But Bigelow's past experience—before he joined Case, he worked for management consultants, McKinsey, and agricultural equipment giant, Massey Ferguson—has given him plenty of opportunity to analyse causes of changing corporate fortunes.

"Things have changed. Poclain needed new management. The decision has been taken. We are getting on with it. Companies need different people at different times. It is very seldom that a chief executive can adapt to changes over a 20-year cycle."

Poclain lost an overall FFr 250m last year, almost twice its share capital before it was raised (to FFr 400m from FFr 157m) earlier this year.

The financial rescue package

involves substantial equity contributions from Tenneco and French banks (which now own 25 per cent of the capital), together with the injection of Saudi Arabian money from the Emir Zeid, Sudairi. It was worked out on the basis of Poclain breaking even towards the end of this year.

The package was put together only after months of tortuous negotiations with the industry and Finance Ministries. Poclain staff in France and abroad, which at the 1974 peak totalled more than 10,000, has been pruned by 1,200 over the past two years to around 6,000 at present.

Now, however, it appears as though the process will have to start again. For the first half of 1983 the company announced a net loss of FFr 112m as the hoped-for recovery in excavator demand failed to materialise. "We will have a very significant loss this year," says Bigelow. "It can't continue. Starting from the beginning of 1984, we have to stop the haemorrhage."

"In 1982, we didn't lose much market share, but suffered from the overall fall in sales. Margins didn't deteriorate that much. In 1983, the fall in the world market has been confirmed and accentuated. And we've had a very sharp fall in margins, pushed down by the Japanese."

Over the 1979-1983 period, the total size of the world excavator market (in which Poclain's share is about 14 per cent) has shrunk by 31 per

cent. Apart from aggressive pricing and entry on to European markets by Poclain's main Japanese competitors (Hitachi, Komatsu and Mitsubishi), the French group has been hit particularly hard this year by a sudden drop in the French market which still accounts for around 40 per cent of its worldwide sales.

Over the past three or four years, overall French excavator sales had been fairly steady, cushioning Poclain against the full effects of the world slide. But this year, following the sharp French shift to economic austerity, the bottom has dropped out and total French excavator sales look like plummeting by 27 per cent.

A key element of the survival strategy, according to Bigelow, is to "put money on a limited number of hard-hitting points. It implies that we will hold these markets in well-defined products as a clear priority."

Poclain's Crépy excavator plant (close to Le Plessis), the biggest and most modern of its eight plants in France, will be singled out for the lion's share of fresh investment next year. New spending has been practically halted during the past few months—it will amount to no more than about FFr 50m for 1983. But starting from 1984 Bigelow aims to bring in robots and flexible automated production techniques "to attack ferociously the question of costs."

Over thorny labour problems, Bigelow admits that, as an American, he is an "easy target" for French trade unions. But he feels he has a "reasonable contact" with the CGT.

Sitting across a table, I can talk. Language barriers can add to communication problems. But as business tuition, says Bigelow, is starting to pay off. "I'm getting to the stage where colleagues feel it's all right to correct my French. Before, it was so terrible, they didn't bother."

As for negotiations with the Government and banks, always decidedly complex in France even among perfect French speakers, Bigelow believes that his American-ness can help speed things up. "The fact that I'm impatient, pushing for this and that—they expect it; it doesn't constitute a surprise."

## Umbro goes for goal

Ian Hamilton Fazy describes how a retired accountant is reviving an ailing sportswear company



Arnold Copley: going after the leisure market

WHEN Arnold Copley retired last year as a London-based partner in the accounting firm Price Waterhouse, many people must have questioned his next move.

For far from accepting a non-executive directorship in some cosy company in the south east of England, Copley insisted on taking the "hot seat" in a Northern business deep in the mire of short-term working, redundancies and factory closure.

Today, the company he runs is working flat out at its four surviving factories in the North West and recruiting staff. And though management is still deciding which direction the business should ultimately take, Copley has at least ensured that it is making profits while this longer-term strategy is developed.

The company's near demise may seem surprising since every year the flattered double diamond of Umbro International is flashed before the eyes of millions of TV viewers by players in many British soccer, rugby union and rugby league teams.

Why then should the company have been in trouble? The answer is that even though soccer is not dying on its feet the market it generates is not expanding and an increasing number of companies have been fighting for the available business. The peak year was 1980 when Umbro kitted out every team in the World Cup Finals except the Soviet Union, but ever since then it has been a tough downhill struggle. Until, that is, Arnold Copley got to work.

His basic approach is the result of applying a classic lesson of management training, the sort taught by business schools throughout the world. Rather than textiles for soccer players, Umbro's business has been redefined as clothes for leisure, some of which happen to be worn for competitive sports.

Copley says: "People spend money on leisure when they won't spend it on anything else. So we have gone into leisure, particularly ladies' leisure, catching the jogging and keep fit boom. Basically, we are making fashionwear to sportswear specifications and selling it in the High Street."

But having got good new products—no one disputes Umbro's quality and design—

it was still crucial to pick the right channels to market them.

Copley says: "The sports retail trade is not highly capitalised and has low skill levels and a poor image. We decided to extend out from conventional sports shops, and, indeed, sports alone."

"We have moved into High Street multiples that sell ladies' fashionwear, and which can put down bigger orders. We use good fabrics and good designers—cosmetic aspects are so important."

Copley originally knew Umbro from the auditor's side of the fence in Manchester. But though he moved to London in 1975 he kept his family home in Cheshire and subsequently through his golf club membership in that part of the world came into social contact with the Humphrey family, owners of Umbro.

Harold C. Humphreys founded Umbro 60 years ago from rooms above a pub in Moberley and quickly sewed up a profitable market share in football jerseys. Along with another local company Bukta, Umbro virtually had the market to itself until the early 1970s.

At this stage, however, Admiral pioneered the "replica" system, which works via copyrighted designs for football teams such as England, Liverpool or Arsenal. The team concerned gets 10 per cent of the wholesale selling price of copyrighted jerseys, with a guaranteed minimum. Sales are to club and school sides, most of which by at least one set of jerseys per season.

Umbro's problems were compounded by the premature death of one of the Humphreys heirs, which effectively damped corporate development from 1978. Although the company had widened its range and gone into schoolwear, this alone had not been enough.

When Copley was approached to help sort things out he agreed on the condition that he was appointed chief executive with full managerial control. Key personnel say that the company now has a sense of direction that was lacking before and has more regard for what was formerly its principal "weak area"—marketing.

Copley is also determined that the company's management should be big and broad enough to develop proper long-term succession—an essential policy when the chief is 61 and his commitment cannot, therefore, range beyond the medium term. His "grow your own" approach has resulted in a recruitment programme to attract graduates with interests in sport and leisure as trainees.

He also stresses the "Made in Britain" strengths of the company—Umbro uses British designers and yarn suppliers—as a weapon against foreign-owned competitors.

At present about one-eighth of Umbro International's £10m annual turnover goes abroad. Copley has set a corporate goal at least to double the proportion.

Sales growth is already evident, with volume 10 per cent up on the previous 12 months and revenue 30 per cent ahead. Productivity improvements are in the pipeline too. Investment in modern plant will enable more garments to be cut from a given area of cloth, while order processing and stock control have been computerised. At £140,000, total investment costs have been beyond anything in Umbro's history.

These, however, are early days and the recovery is only beginning.

Copley says: "We are still talking about where our best future lies. One of our problems is that we cannot afford to take time off the job to do our planning. But everyone now realises that the managers themselves have got to do it, believe in it and then live with it afterwards. There can be no alibis."

# MADRID

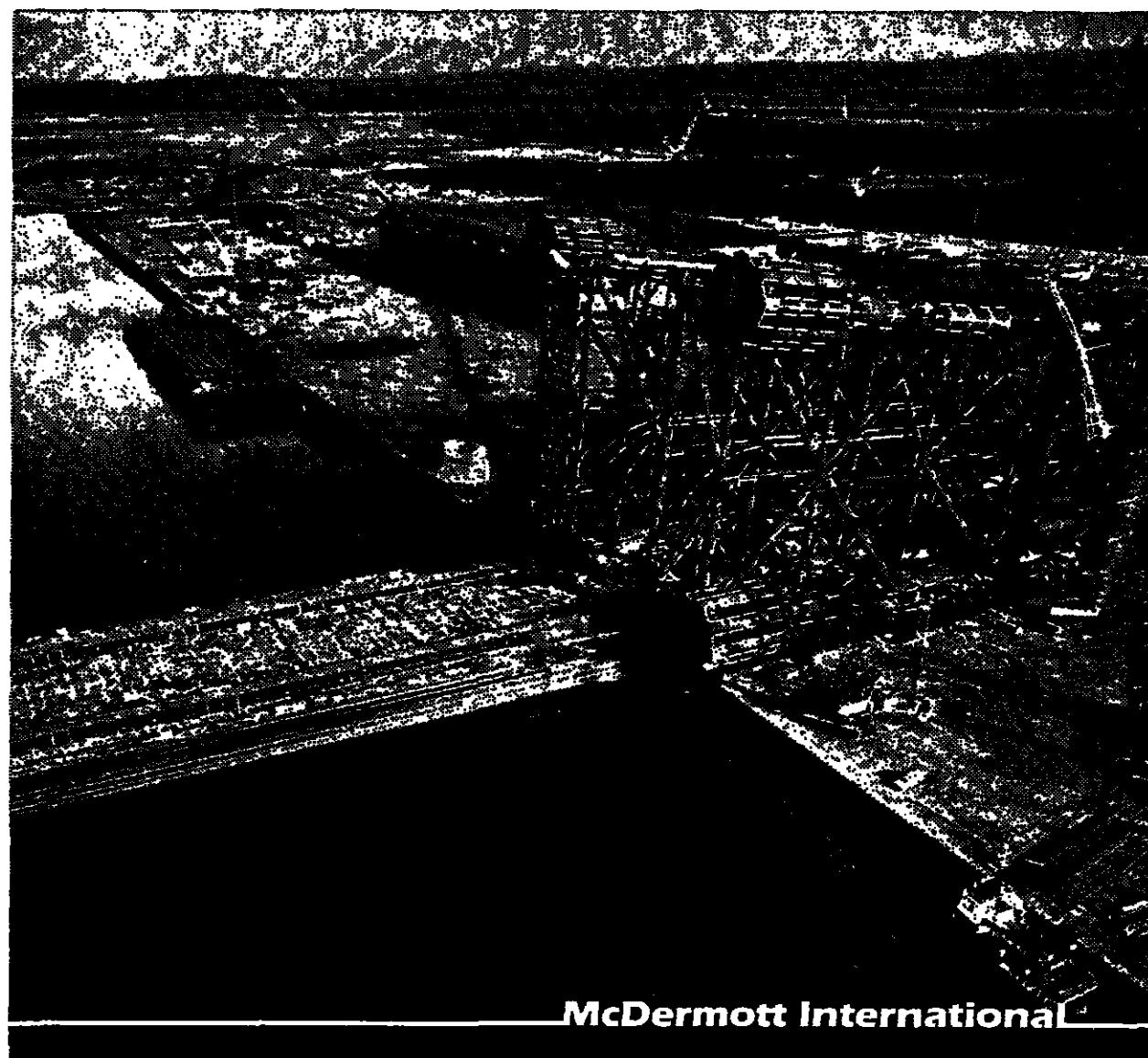
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## UK COMPANY NEWS

## £0.8m rise for De Vere as recovery gains pace

THE RECOVERY which began a year ago at De Vere Hotels and Restaurants has gathered momentum in the current year, the directors report.

For the nine months ended September 30 1983 the profit before tax has shown a five-fold advance, from £314,122 to just over £1m, on turnover ahead £1.28m at £15.88m.

The directors are keeping the interim dividend at 8p net per share. But holders registered December 2 will participate in a 1-for-6 scrip issue, and the new shares will qualify for the final payment which is expected to be held at not less than 3p.

After tax of £402,179 (£35,648) net profit for the nine months came out at £603,268 (£128,473), of which the interim absorbs £347,823.

In the year 1982 the company had started its recovery with profit up from £38,000 to £1m.

### comment

Running hotels involves very high fixed overheads, so a 9 per cent increase in volumes at De Vere has led to a near quinqupling in pre-tax profits. The figures are flattered by the elimination of £100,000 of losses—due chiefly to the disposal of the Castle Hotel—but occupancy rates were also up slightly to around 55 per cent, while tariffs were raised by about 7.5 per cent. The real improvement in demand came from the conference trade, where activity tends to be highest in the current quarter, and from the London restaurants, which had their best summer for a decade. The revamped Connaught made a small loss, but is now trading profitably and should break even for the year. The shares are trading at an all time high of 27½ up 8p, and the directors are aware that this might be a propitious time to accept any bids for the 52 per cent of the group they own. De Vere says it is open to appropriate offers. If the group makes £2.5m pre-tax for the year, the prospective pe is over 20 on a 40 per cent tax charge.

## ICI ahead by £242m at nine months

FOR THE first nine months of 1983, pre-tax profits of Imperial Chemical Industries increased to £445m, compared with £203m for the corresponding period last year.

Third-quarter profits of £147m were well up on the £58m made in the same three months of 1982, but were £23m lower than for the previous quarter.

Group sales for the nine months totalled £8.1bn, against £5.45bn, with the third quarter result up from £1.5bn to £2bn. Second-quarter sales were £2.08bn.

Chemical trading produced a substantial increase in profits which resulted from an improvement in performance in most businesses compared with the lower trading experienced during 1982.

Chemical sales in the third quarter amounted to £1.77bn. These were at a similar level to the first three months, but £130m lower than in the seasonally strong second quarter. Most of the reduction arose in Continental Western Europe where the third quarter tends to be weak.

### HIGHLIGHTS

The Government is planning to sell half its remaining shareholding in Cable and Wireless to bring itself on target for £11bn of asset disposals in this fiscal year. Lex comments and then turns to the latest figures from ICI where the third quarter was much better than the market anticipated with profits of £147m. Royal Insurance is buying further in the North American insurance market with a \$50m purchase of a south mid-west company. Finally Lex looks at Japanese electrical companies reporting encouraging figures for the six months to September showing a strong growth from VCRs and semi-conductors sales. Elsewhere Sun Life has come up with an agreed bid for North British Properties.

Nine months chemical sales totalled £5.48bn—an increase of £876m over the first nine months of 1982. Volume accounted for 7 per cent of this advance and exchange effects arising from the weaker pound for most of the balance.

Oil profits for the nine months rose sharply from £48m to £73m. The third quarter contribution was £26m (£23m in second quarter) after Petroleum Revenue Tax of £47m (£37m). In the third quarter most group businesses performed reasonably in the current economic environment, with particularly good results again being achieved in the pharmaceuticals business.

Trading conditions remain

difficult in the group's fibres, organic chemicals and petrochemicals and plastics businesses. However, its worldwide petrochemicals and plastics results improved to break-even for the third quarter, compared with losses of £10m in each of the first two quarters of 1983.

Net attributable profits of the group climbed from £116m to £258m for the nine months. Tax charge more than doubled from £70m to £154m, while minorities took £13m (£17m) and there was an extraordinary debit this time of £19m.

Earnings per £1 share, before the extraordinary item, were up sharply from 18.4p to 45.8p.

The extraordinary debit comprised a provision of £40m representing the remaining book value of ICI's 37.5 per cent equity stake in the Corpus Christi Petrochemical Company and related facilities in the U.S., reduced by profits arising from various divestments—including the recently announced U.S. oil and gas interests.

Depreciation charged rose from £297m to £326m. See Lex

## Coates sees upturn after first half decline

THE "very depressed" trading conditions experienced by Coates Brothers in the UK towards the end of 1982, have continued into 1983. This is reflected in the company's pre-tax profits for the six months to June 30. These have fallen from £4.5m to £3.87m, a 14 per cent decrease.

The directors say that overseas profit, though lower than in the second half last year due to usual seasonal factors, remained buoyant and was 9.2 per cent up on the same period last year.

They say the overall outlook is better than a year ago. In the UK, a slow recovery has become evident in the last few months, while steady progress overseas has continued. It is encouraging, they add, that Australia has now returned to profit.

Present indications are that the group's pre-tax profits for the whole of 1983 will be similar to the £23.4m reported in 1982.

Group turnover in the first half improved from £59.35m to £66.4m. Tax was down from £2.1m to £2.05m, and after minorities of £170,000 (£172,000), the attributable profit came out later at £1.55m, compared with £2.22m. The interim dividend is unchanged at 1p net—last year's total was 3.42p.

### comment

Is the worst over at Coates? While this question has been uppermost for three years now, the latest set of half-time results hint that a UK recovery could at last be under way. Certainly, the signs are hopeful, with both links and resin orders firming up in every month since June. Although the reasons are difficult to pin down, it could reflect new buoyancy in the packaging and paint sectors alongside the consumer spending spree. In the short term, the company's recovery prospects depend very much on whether this underlying trend sustains itself because the important Africa interests are suffering from local economic difficulties. It is also still too early to look to the fledgling U.S. venture, where Coates clearly has to aim if it is to find new markets. On a same-evening result this year the shares sell on a prospective p/e of over 7 at 75p.

### Probe urged in Burnett share deals

Stockbrokers Capel-Cure Myers have requested the Stock Exchange to investigate recent dealings in the shares of Burnett and Hallamshaw, the opencast mining company whose share price collapsed at the beginning of the week following a dramatic downgrading of profit expectations in the City.

As brokers the company CCM are particularly interested in dealings which took place last week ahead of a series of meetings Burnett's new chairman, Mr Eric Grayson, has with London stockbrokers on Monday.

Having slipped 10p on Thursday to 290p, Burnett's price dropped 25p on Friday afternoon to 265p although on the face of it Mr Grayson's visit to London was a straightforward meeting between a new chairman and the City's analysts.

During the progress of those meetings it soon emerged that earlier expectations of an £8m profit rise to £38m from Burnett were way adrift and that the likely outcome would be a profits fall of £12m to £13m. On Monday the shares fell 40p, and Tuesday saw a further drop of 35p to 190p.

## Ray Maughan looks at the record of Cable & Wireless

## A unique cash generator

Cable & Wireless was one of the earliest and, to judge by the track record as a quoted company so far, most successful Government attempts at de-nationalisation.

The Government offered 50 per cent plus one share of the company in October 1981 and raised £224m in the process. Between then and now, the stock market valuation of the whole company has been periodically well over £1bn.

C & W, as brokers in the City were quick to realise when the shares first came on offer, is a unique operation. It mostly makes its money by franchising international telephone and other telecommunications services for overseas countries, notably Hong Kong and Bahrain.

One of the principal features of the profit and loss account, it soon emerged, was the group's ability to generate large and rising quantities of cash. These funds have usually been applied to extension of its operating base, notably in the U.S. and South China, while C & W has also been strengthening its grip on the more traditional markets.

The course of profits growth since flotation has been little short of remarkable. The business came to market on a forecast of profits of £34m in the year to March 1982 against just £62m in the previous year. In the event, the group turned in pre-tax profits of £97.7m for that period which it mostly attributed to favourable currency movements—always liable to be a highly volatile item in a widely spread business such as C & W—to higher interest rates and a better than predicted upturn in its non-franchise operations.

Group turnover in the first half improved from £59.35m to £66.4m. Tax was down from £2.1m to £2.05m, and after minorities of £170,000 (£172,000), the attributable profit came out later at £1.55m, compared with £2.22m. The interim dividend is unchanged at 1p net—last year's total was 3.42p.

### BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interim or final and the subdivisions shown below are based mainly on last year's timetable.

Company	Meeting Date	Dividend Date
British Assets	Nov 8	Nov 10
Border Breweries	Nov 8	Nov 10
Coates Bros.	Nov 8	Nov 10
De Vere Hotels	Nov 8	Nov 10
Feb Int'l	Nov 8	Nov 10
Norman Hay	Nov 8	Nov 10
Phillip Hill	Nov 8	Nov 10
McKechie Bros.	Nov 8	Nov 10
Manganese Mines	Nov 8	Nov 10
1928 Invest. Trst	Nov 8	Nov 10
S. Simpson	Nov 8	Nov 10
Stewart & Wight	Nov 8	Nov 10
Stocklade Hlgs.	Nov 8	Nov 10
United Ceramic	Nov 8	Nov 10
Allied Leather	Nov 8	Nov 10

### DIVIDENDS ANNOUNCED

Company	Current payment	Date	Corr. div.	Total	Total
British Assets	1.25	Jan. 5	1.2	4.0	4.55
Border Breweries	1.4	Jan. 5	1.4	—	5.3
Coates Bros.	1	Jan. 3	—	—	3.42
De Vere Hotels	3	Jan. 3	—	—	6
Feb Int'l	0.81	Dec. 9	0.75	—	2.4
Norman Hay	1.25	Dec. 9	—	—	3.1
Phillip Hill	1.25	Dec. 16	—	—	7.5
McKechie Bros.	5.25	Jan. 3	5.25	—	7.28
Manganese Mines	2.17	Jan. 3	2.17	—	2.17
1928 Invest. Trst	2	Dec. 16	2	—	5.2
S. Simpson	2.69	Jan. 3	2.19	4	3.5
Stewart & Wight	13	—	4	13	4
Stocklade Hlgs.	9	—	9	12	13
United Ceramic	1	Dec. 16	0.5	—	3
Allied Leather	1.75	Dec. 8	1.75	—	5.5

Dividends shown pence per share net except where otherwise stated. Equivalent after allowing for scrip issue. The capital increased by rights and/or acquisition issues. \* USM stock, £1 for 15 month period.

## Near £1m profit increase for McKechnie

WITH A repeat of the first half increase, McKechnie Brothers has lifted its pre-tax profit by £988,000 to £11,076,500 for the year ended July 31 1983. The final dividend is held at 5.2765p, the minimum forecast on the capital increased by the recent 1-for-5 rights issue; this maintains the total at 7.2765p.

The group trades internationally and is primarily engaged in the manufacture of semi-finished and finished products in non-ferrous and ferrous metals and plastics for the building, electrical and engineering industries. Turnover moved ahead from £154.6m to £168.11m and operating profit rose by £2.47m to £10.58m, including surplus on unsold metal stocks £538,000, against a loss of £40,000.

Interest charges showed little change at £2.72m, but there was

a reduction from £5.07m to £4.2m in the contribution from the associates, which cut the increase at the pre-tax level.

Many of the factors which held back profits were unusual events, and a number of loss-making situations have been eradicated, the directors report. A number of the group companies finished 1983 with generally improving trading trends.

"Although we see no clear signs of any substantial recovery in the economies of any of our geographic locations, we have started 1983-84 on a brighter note," they state.

After tax £4.14m (£3.31m) and minorities credits £28,000 (£180,000 debits), there was a profit attributable of £6.9m (£6.63m) subject to extraordinary charges of £534,000 (£225,000 credit). The ordinary dividend absorbs £4.16m (£3.63m). Earnings are 13.6p

(13.1p) basic and 14.4p (15.4p) nil distribution basis.

### comment

It has been a defensive year of consolidation for McKechnie providing little excitement for shareholders. But the management is hopeful that its strategy, including a £10.23m rights issue in May and the £5.8m purchase of DMI's brass rod interests in August, should start coming to fruition this year, compensating for any dilution of shares. The DMI purchase does not feature in these figures, and the metals division contribution remained unchanged at £2.4m. Once rationalisation of the brass rod interests is completed, keeping the most cost effective equipment and disposing of the rest—McKechnie will be left with 40 per cent of market share up from 23 per cent. The plastics and consumer division has shown all the growth this year with profits

### Solex cuts loss

Pre-tax losses of Solex were cut from £770,000 to £151,000 in the six months to June 30 1983. Sales of the company, which is ultimately held by Matra SA (France) through CIP, increased to £6.04m, against £5.62m.

# Glaxo

## 1983 Results

### Extracts from the Statement by the Chairman, Sir Austin Bide

"For the third year in succession, I am able to report significant increases in both sales and trading profits. The former, at £746 million (excluding sales by Vestric Ltd) increased by nearly 18% and the latter, at £178 million, by 41% over the corresponding amounts for 1981/82.

"These welcome advances have been brought about by the expansion in our ethical pharmaceutical business, which was and remains, by far, our most important activity. Most of our markets and products, including sales of bulk pharmaceuticals, have contributed to this result.

"The main contributor to our growth was the anti-ulcer drug ranitidine (Zantac). By the end (June 30th) of the financial year under review it was being sold in all major markets except the United States, France and Japan. Sales of our other major products, including our anti-asthmatic salbutamol (Ventolin), our anti-hypertensive labetalol (Trandate) and our injectable cephalosporin antibiotic cefuroxime (Zinacef) increased

significantly, and they continue to grow.

"Sales of our wholesaling subsidiary Vestric increased by £50 million to £281 million and its profits by £1.3 million to £3.8 million.

"On the manufacturing side, we continued during the year to increase our strength by expansion and by keeping methods and equipment right up to date. This is, as shareholders are well aware, a continuous process in pursuit of the highest achievable productivity and quality. Apart from the U.K. where we have our principal manufacturing facilities, we have, as usual been working

FINANCIAL HIGHLIGHTS	1983	1982
Group external sales*	746.2	634.7
Profit before tax	192.4	133.6
Exports from the U.K.	240.0	207.0
Research & Development	60.0	50.0
Capital expenditure	70.4	64.8

Dividends	9.0	7.0†
Earnings per share	31.5	23.4†

\*Excluding U.K. wholesaling by Vestric Ltd.  
†After adjusting for the scrip issue in January, 1983.

overseas on many significant projects.

"We are continuing to increase our expenditure on Research and Development in order to test out new ideas and to develop them into valuable products. We are also increasing our expenditure to expand our development facilities ahead of growth in the major markets overseas whether traditional, or as in the United States, more recent. Our present rate of spending on Research and Development is about £70 million per annum.

"The many years of dedicated work by the Group's staff at whatever level and in whatever place are now evident in the figures.

"What then of the future? Success in any business depends fundamentally upon providing the customers with the products they want at an adequate profit. In pursuit of this end, your company has created a range of products to be proud of, and it will continue to invest in the Research to generate more.

"The Glaxo family is in good fettle and well able to meet the challenges. Be assured that no effort will be spared to achieve the progress we all desire."

**Glaxo**

If you would like a copy of our Annual Report and Accounts write to: The Secretary (AR), Glaxo Holdings p.l.c., Clarges House, 6-12 Clarges Street, London W1T 6DL.

## EAST OF SCOTLAND ONSHORE PLC

## Substantial increase in revenue and earnings

★ There was a substantial underlying increase in both revenue and earnings per share in the year to 31st May, 1983, though the figures are not comparable with the previous sixteen month period. This was achieved in a difficult year for the oil service industry.

★ The Board recommend a final dividend of 1.35p per Ordinary Share, making a total of 2.0p for the year against 1.85p paid for the previous sixteen months. On an annual basis, the increase this year is 44% and over the past two years the dividend has more than doubled. A further increase in dividend should be possible in the current year.

★ Net asset value per share rose during the year by 19.6% to 95.7p, which compares with a 17.5% increase in the Financial Times Actuaries Oil Share Index.

★ There are signs there will be an up-turn in the development of North Sea fields and, while the picture in the USA is still not clear, the new round of licences in the Gulf of Mexico should benefit companies operating there long-term. Overall, the next twelve months should show a modest improvement, but major benefits are not expected until the following years.

The above highlights are taken from the Statement of the Chairman, Mr H A Whitson. Copies of the Report and Accounts, incorporating the Chairman's full Statement, are obtainable from:-

East of Scotland Onshore PLC, 42 Charlotte Square, Edinburgh EH2 4HQ.



## Anglo Nordic may bid for Butterfield

## Reed Intl. pays £7.5m for Superfos Packaging (UK)

## Sun Life agrees terms for North British Properties

**IHF-FIAT FINANCE  
CORPORATION B.V.**  
U.S.\$100,000,000  
**GUARANTEED FLOATING  
RATE NOTES 1991**  
For the six months  
31/10/83 to 30/4/84  
The Notes will carry an  
interest rate of 9 1/8%  
per annum. Coupon value \$50.24.  
Listed on the Stock Exchange,  
Luxembourg.  
**Agent Bank:**  
**National Westminster  
Bank PLC, London**

He has already suggested to Mr Maurice Krug, chairman of TI, that a "side deal" could be struck by which TI might acquire Shelvoke independently to link with the U.S. group's Dempster vehicle tailgate activities. TI has quickly turned down these overtures and, while the rest of Butterfield is said to "fit Anglo Nordic like a glove," Mr Wolfson realises that any deal would be "a very awkward straddle to break."

## Royal paying £34m for U.S. insurer

## Filling gaps in the Mid Western states

Now Royal is about to acquire Silvey, which operates in the four lower Mid Western states of Missouri, Oklahoma, Kansas and Arkansas. The intention is to integrate the operations of Milbank, Silvey and Royal's existing operations in the area over a long period of time.

This acquisition apparently brings to an end at least the current phase of Royal's expan-

Although its life business has risen sixfold over five years, Royal has no plans for any assault on the U.S. life insurance market. New American Life will be encouraged to expand organically.

## First nine months' results

\*Abridged audited accounts

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**FRENCH CONNECTION**

Offer for sale  
by

of 1,823,429 ordinary shares of 5p each  
at 123p per share, payable in full on application

Authorised £1,000,000	SHARE CAPITAL	Issued and fully paid £759,762
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The application list for the ordinary shares now offered for sale will open at 10.00 am on 2nd November, 1983 and may be closed at any time thereafter.

*Copies of the Prospectus with application forms containing information regarding French Connection Group plc are available from:*

Barclays Merchant Bank Limited 15/16 Gracechurch Street, London EC3V 0BA	Gresham, Grant and Co. Leith House, 45/57 Gresham Street, London EC2V 7EH	Barclays Bank PLC New Issues Department, PQ Box 123, Fleetway House, 25 Farringdon Street,
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and at the following branches of Barclays Bank PLC:

35 St. Andrew Square, Edinburgh EH2 2AD	P.O. Box 207, 40 Corn Street, Bristol BS1 2JA	Stock Exchange Branch, 8 Abchurch Lane, Throgmorton Street, London EC4A 3DF	37 Park Row, Leeds LS1 1HS
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PO Box 24, 63 Colmore Row, Birmingham B3 2BY	PO Box 357, 17 York Street, Manchester M60 2AU	London EC2R 7HT	56 Great Portland Street, London W1A 0XH
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**The Lombard  
14 Days Notice  
Deposit Rate Is**



**9%**

**Lombard North Central PLC**  
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For details phone 01-409 3434.

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SWISS FRANC Sfr40.054

**LADBROKE INDEX**

**Based on FT Index**  
**Tel: 01-493 5261**

**Granville & Co. Limited**  
(formerly M. J. H. Nightingale & Co. Limited)  
77/78, Leaze Road, London, E.C.2.

1982-83		Gross Yield	P/E Fully
Market Index	100	100	100
Over-the-Counter Market	100	100	100

High	Low	Company	Price	Change	div.	(p)	%	Actual	taxed
142	120	Ass. Brit. Ind. Ord. ...	125	—	6.4	5.1	7.4	9.8	—
158	117	Ass. Brit. Ind. CULS...	134	—	10.0	7.4	—	—	—
75	67	Alsprung Group .....	75	—	8.1	8.1	21.4	21.4	—
46	21	Armitage & Rhodes ...	27	—	—	—	—	—	—
242	98½	Bardon Hill .....	236	- 1	7.2	3.1	9.8	19.6	—
151	100	CCL 11pc Conv. Pref....	137	—	15.7	11.5	—	—	—
130	—	—	—	—	—	—	—	—	—

210	194	Unaffiliated Group .....	194	-	2	17.8	11.4	-	-
86	45	Deborah Services .....	57	-	-	8.0	10.5	-	-
152	77	Frank Horsell .....	152	-	-	-	-	8.3	10.6
146	75	Frank Horsell Pr Ord 87	146	-	-	8.7	6.0	6.1	10.1
83	48	Frederick Parker .....	48	-	-	7.1	14.8	3.0	4.8
55	32	George Blair .....	32	-	-	-	-	-	-
100	58	Ind. Fractional Castings	58	-	-	7.3	13.0	16.8	19.7

204	100	Jais Conv. Pref.	204	—	17.1	8.4	—	—
114	47	Jackson Group	105	—	4.5	4.3	—	—
237	111	James Burrough	204	—	11.4	5.5	11.2	11.6
260	133	Robert Jenkins	134	—	20.0	14.9	16.6	10.5
83	54	Scruttons "A"	68	—	5.7	8.3	11.3	8.2
167	86	Torday & Carlisle	88	—	2.8	3.4	—	—
29	20	Unilock Holdings	30	—	1.6	5.9	12.5	11.5

90	84	Walter Alexander .....	25	—	1.0	8.0	13.1	19.0
278	214	W. S. Yestas .....	89	—	8.8	7.6	7.8	10.3
			257	—	17.1	6.7	4.0	8.2

Licensed Dealer in Securities

**ennia** nv

The Management Board of NV, Administratiekantoor Christiaan Huygens, The Hague, the issuer of Bearer Depository Receipts (BDRs) for the ordinary shares of Ennia NV, The Hague, announces that, with effect from 30 November 1983, the issuance of BDRs for the ordinary shares of Ennia NV, will cease. BDRs in issue may be exchanged for ordinary shares held by this office, without any charges or restrictions, in the period 30 November 1983 to 1 December 1985.

The following will result from an expected change to the Articles of Association: the shares will have a face value of Dfls.10.00 per ordinary share; it will in future be possible for ordinary shares to be unregistered; and the restriction concerning the holding of ordinary shares by holders of one per cent of the ordinary share capital will be lifted. In addition,

The decision to cease the issuance of BDRs has been taken subject to the conditions (i) that the merger between the Ennia and Ago groups take place by 30 November 1983 at the latest and (ii) that any changes in the Trust Agreement of 15 June 1977 concerning US \$25,000,000 Convertible Subordinated

277 concerning \$23,000,000 Convertible Subordinated Debentures due 1988/1992, the Trust Deed of 18 August 1976 concerning \$5,000,000 9% Convertible Guaranteed Unsecured Loan Stock 1985/1990 and the Agreement of 4 December 1981 concerning 6½% Convertible Subordinated Notes 1981/1988 of Swiss Francs 100,000,000, necessary in

On 30 November 1983 or as soon as possible thereafter an announcement will be made about the procedure for exchanging BDRs for shares of face value Dfls. 10.00 in AEGON N.V.

The Hague, 28 October 1983



NOTICE OF REDEMPTION  
to Holders of

## BARCLAYS BANK INTERNATIONAL LIMITED

8½% Capital Bonds 1986

NOTICE IS HEREBY GIVEN that, in satisfaction of the obligations imposed by Condition 5(A) of the Terms and Conditions applicable to the Bonds, the Bonds bearing the serial numbers listed below have been drawn in manner approved by the Trustee for redemption on 1st December 1983 at their principal amount.

continued on 1st December, 1983 at their principal amount.																
287	37	50	64	72	78	79	83	85	143	144	145	147	162	163	174	256
296	297	298	299	300	301	306	317	326	362	369	397	403	407	410	412	415
441	451	456	460	461	503	526	527	538	550	552	554	562	584	589	591	594
595	601	615	617	618	549	561	564	575	581	582	583	584	585	586	587	588
592	1002	1008	1013	1029	1032	1032	1032	1032	1032	1032	1032	1032	1032	1032	1032	1032
1208	1210	1232	1233	1241	1277	1278	1284	1293	1347	1347	1347	1347	1347	1347	1347	1347
1772	1774	1776	1777	1782	1844	1845	1847	1848	1849	1861	1878	1884	1885	1892	1893	1917
1998	1999	1999	1999	2009	2092	2158	2164	2197	2232	2232	2237	2290	2291	2292	2298	2299
2310	2323	2325	2326	2328	2336	2336	2339	2343	2347	2367	2368	2373	2387	2392	2395	2414
2442	2473	2487	2521	2563	2564	2570	2578	2581	2641	2644	2645	2709	2711	2718	2719	2727
2736	2760	2762	2763	2815	2815	2898	2899	2902	2903	2912	2912	2912	2912	2912	2912	2912
3024	3034	3054	3065	3062	3141	3143	3151	3158	3169	3187	3170	3173	3211	3235	3257	3276
3310	3312	3318	3337	3347	3350	3351	3359	3368	3369	3370	3372	3382	3386	3424	3428	3442
3443	3454	3509	3529	3541	3543	3554	3560	3562	3569	3597	3605	3611	3613	3615	3671	3672
3683	3688	3730	3731	3791	3792	3794	3807	3827	3889	3911	3914	3971	3972	3973	3978	3983
3987	3988	3989	3996	4002	4003	4010	4026	4028	4036	4047	4066	4068	4071	4131	4148	4186
4265	4270	4276	4295	4300	4333	4338	4341	4342	4343	4344	4345	4346	4347	4348	4349	4350
4421	4422	4423	4424	4425	4444	4454	4471	4481	4482	4483	4484	4485	4486	4487	4488	4489
4607	4608	4615	4618	4620	4623	4624	4651	4658	4659	4660	4661	4662	4663	4664	4665	4666
4637	4642	4643	4646	4654	4656	4658	4686	4689	4690	4691	4692	4693	4694	4695	4696	4697
4969	4970	4971	4972	4973	4974	4975	4976	4977	4978	4979	4980	4981	4982	4983	4984	4985
6188	6214	6248	6251	6252	6253	6254	6255	6256	6257	6258	6259	6260	6261	6262	6263	6264
6977	6980	6982	7001	7006	7022	7105	7107	7112	7115	7118	7119	7120	7121	7122	7123	7124
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## THE PROPERTY MARKET

BY MICHAEL CASSELL

## Sun Life set to win North British

THE TERMS of Sun Life Assurance's agreed offer for North British Property were disclosed yesterday and will be enough to win the day—not least because the principal participants between them control around 45 per cent of the equity.

The deal values North British ordinary shares at 188p each, against a 156p suspension price and a net asset value—thrown up after a July 1982 valuation—of 202p. So much for earlier talk that North British could put up a good case for 235p or above, but most shareholders should be content with the fact that the agreed price is almost exactly twice the price the shares commanded immediately before bid talks were announced at the end of September.

Sun Life reckons it ended up paying more than it had originally envisaged but the final terms nevertheless appear finely balanced to tip the outcome in its favour. The offer values the property company at £30.5m.

So Sun Life looks set to add an investment portfolio worth around £40m to its own investment properties, valued at £48.5m at the end of 1982. The last time it picked up such a package was in 1976 when it fought for, and won, control of Artagen Properties. It seems probable that the purchase will leave quite a lot of North British people without jobs, as Sun Life has its own well-established property develop-

ment and investment team into which it can inject its new acquisitions. "Fair and generous" compensation is promised.

The portfolio's principal elements comprise the 450,000 sq ft Regent Centre office scheme at Gosforth, Newcastle-upon-Tyne, a town centre retail scheme in Kirkcaldy, Fife and a major industrial scheme along the Great West Road at Brentford.

The balance of the property assets, largely inherited at the time of the split from Bellway in 1979, is made up of a mixed bag of office and retail investments throughout the north east.

More recently, however, the group has been moving into the southern part of the country. Among its most recent commitments are an office scheme in Chelmsford—with Scottish Widows—a Hemel Hempstead industrial estate with Electricity Supply Nominees and office schemes in Maidenhead, Chertsey and Tunbridge Wells.

One aspect to be sorted out will be the future of schemes underway in which other institutional funding partners are already involved. Sun Life can be expected to see through the developer's role, take its share of the action and sell on the properties to the funder. Where funding arrangements have not been finalised, then the new management will have little difficulty in putting up its own finance and retaining the investment.

## Slough swoops in to talk terms

THIS WEEK finally saw one of property's most eligible take-over targets sitting down to talk with its most widely-tipped suitor.

The current merger discussions between Slough Estates and Allnatt London—not forgetting Guildhall Property, Allnatt's shadow property operation—appear to represent the obvious conclusion to something which has appeared increasingly inevitable.

Allnatt has been putting up a credible performance, given the recent sickly state of the industrial sector on which its

operations are almost exclusively based and the somewhat patchy quality of its portfolio.

The location of its property assets—largely in north west London—is not in question, however, and rental income arising from reviews has helped profits move ahead nicely. They are expected to be over £10m in the current year, against £9.4m last time.

Allnatt has remained massively undergeared and the extended growth recently recorded seems set to continue for a little while yet, given the flow of reversions and reviews due

over the next two or three years.

But the group—not to mention Slough Estates—is also aware that growth from rent reviews will be slowing down sooner rather than later and that its longer-term health will only be secured by some active management and some fairly expensive modernisation.

But is a possible deal all good news for Slough? Even for a group with its financial clout, a "merger" with Allnatt and Guildhall (between them owning around £150m worth of property) represents quite a chunk to bite off. In any agree-

ment, a lot of paper is likely to change hands, thereby invoking the old argument about dilution of assets.

Allnatt, however, represents an opportunity too good to miss and would provide Slough with rare chance to embrace an extremely liquid portfolio, ripe for weeding out and revival.

The Allnatt board, which directly or indirectly controls about 57 per cent of the equity, will be no pushover. Failure to agree or the disclosure of terms which look a little on the mean side could have one or two other property companies knocking on Allnatt's door.

## Shop rents 'ready to surge ahead'

WITH RETAIL sales volume and profits forecast to move ahead over the coming months, the outlook for shop rents is the brightest for several years.

Hillier Parker May and Rowden says rents, with adjusted for inflation, will grow at a rate of nearly 6 per cent over the next two-year period. In current prices, they will be rising at an annual rate of nearly 14 per cent by next May, before the rate of increase slows.

St. Andrews House, Woking—now Costain House—has been let to Costain at £635,000 a year with an initial 12-month rent-free period. The 59,000 sq ft building is owned by Universities Staff Superannuation Fund, represented by Jones Lang Wootton. Richard Ellis acted for Costain.

British Rail Property Board is, through Pepper Asplins & Yarwood, to auction 34 mixed freehold properties producing £337,570 a year in rental income on November 17.

The City of Bristol is to retain the freehold of Broadmead shopping centre and will offer new, 125-year leases at 21 per cent ground rent to head lessees. Occupational lessees may also have the same opportunity. Hillier

Parker May & Rowden will help in negotiations.

Robert Fleming will occupy all but about 15,000 sq ft of the 100,000 sq ft of office space to be jointly developed and owned with Commercial Union Properties at the corner of London Wall and Copthall Avenue, City. There will also be a shopping arcade.

Crest Estates' 24,000 sq ft office scheme at Fretton Mill, Morham, has been pre-let to United Run Merchants at a rent of nearly £8 a sq ft and has sold the investment to Lloyds Register of Shipping Superannuation Fund—clients of Savills—for over £2.5m.

Valin Pollen is paying £11.25 a sq ft for 20,000 sq ft of office space at 46-48 Grosvenor Gardens, Victoria. Bernard Thorpe, Knight Frank and Rutley and Howard Minter were instructed by BP Chemicals, which recently put its 100,000 sq ft Victoria headquarters on the market through Savills.

Apologies to Zadelhoff and giving credit where credit was due. The 7,000 sq m Amsterdam letting referred to last week was arranged by Zadelhoff and the 9,000 sq m Utrecht letting was handled by JLV.

## A smart restart for swinging Carnaby Street

THE WORN OUT psychedelic plastic paving along Carnaby Street is to be replaced by more subdued traditional stone and paving bricks. That, along with a few extra lamplights and benches, is Westminster Council's side of the bargain with Peachey Corporation to give the world-famous street a new image for the 1990s.

Peachey, which owns most of the street since buying the west side from the Crown Estate for £10.5m in the summer, plans to replace many of the cheap "T-shirt" and jeans merchants with a smarter mix of fashion and food while leaving room for some flair and fun.

With listed status slapped on the whole west side of Soho, refurbishment is the next best alternative to redevelopment

for Peachey, which now owns almost three acres in the locality, embracing 126 retail units, four office buildings and a total lettable floor space of 300,000 sq ft.

It has already tested the water in Newburgh Street, which runs parallel to the east of Carnaby Street, where shops have been renovated with some success. Refurbished offices are achieving rents of from £8 to £12 a sq ft. Peachey estimates that the east side, where refurbishment began five years ago, has increased in value from £3.5m to £9m.

Carnaby Street lies just behind Regent Street and Peachey hopes to improve connecting Kington Street and Foubert Place to bring in the shoppers from Liberty's and other lead-

ing stores. The marketing, through Healey & Baker, starts now and the hope is that the world famous name will give them the edge on other West End competition, in the shape of West One, St Christopher's Place and South Molton Street, and imminent developments at the Trocadero and the old Swan & Edgar store at Piccadilly Circus.

Peachey estimates expenditure of £2m in the current financial year, with noticeable changes appearing probably in 1985—300 years after the street was first laid out. The vast majority of Peachey's 194 tenants expire in the next two years, allowing a rapid changeover—if the right tenants can be found.

No key tenants have been

signed up yet, so it is difficult to assess the likely pace of the upgrading or the kinds of rents Peachey will get from retailers. Managing director John Smith insists that strict control will be maintained on any assigning of leases to prevent retail units being passed on to unsuitable tenants.

Certainly, the £10.5m that Peachey paid the Crown Estates for the west side appears a bargain, but just how quickly the benefits are going to filter through to the bottom line remains uncertain. Meanwhile, shareholders have been rewarded with a generous 14 per cent increase in the total dividend and the shares are a shade above the average discount for the sector.

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## TECHNOLOGY

AMI AND VOEST-ALPINE OPEN LARGE SPECIAL CIRCUIT PLANT IN AUSTRIA

## Joint venture caters for custom design

BY GEOFFREY CHARLISH

ANOTHER LINK has been added to the chain of semiconductor plants that American Microsystems Inc. (AMI), is developing across the world to maintain its position in the fast expanding custom chip market. It already has plants in the U.S., in Japan (Asahi Microcircuits) and in Korea. Last week a completely self-contained U.S.\$50m design and production unit was opened by Austrian Chancellor Dr Sinowatz outside the town of Gratz.

Austrian Microcircuits International is a joint venture between AMI of Santa Clara, (a Gould Inc subsidiary), and Voest-Alpine AG, an Austrian company with interests in steel and electronics. It is believed to be the largest plant of its kind in Europe and possibly in the world, with a present capacity of 1,000 four inch wafers per week and an eventual maximum of 5,000 a week. All the equipment for wafer stepping, diffusion and other major processes is able to handle five inch wafers.

The type of chip that AMI makes is finding increasing application in rapidly expanding areas such as the personal computer, telecommunications and the car industry. There, long runs make it practical to use application-specific circuits rather than designing equipment around several standard chips bought off the shelf from

the manufacturer. According to Glen Penniston, chairman and CEO of AMI, the value of the total, world-wide semiconductor market should amount to over \$21bn this year and is likely to reach \$39bn by 1996—a compounded growth rate for the industry of over 17 per cent.

Penniston expects metal-oxide-silicon (MOS) technology to be dominant and to rise to 52 per cent by 1996 from its present level of 42 per cent. Within that MOS market he predicts that whereas the share for standard mass-produced circuits will drop from 74 per cent to 64 per cent, the kind of application-specific circuits that AMI makes will rise from a market share of 26 per cent at present to 36 per cent by 1996. In the new plant AMI is aiming at minimised costs and turn-around times for circuits. Dr Lee Seely, president of the Austrian company, said at the opening that customers are now demanding much faster service than the industry has so far been able to achieve.

He continued: "The life time of products is continuing to get shorter. This automatically means that product development times must be correspondingly reduced."

One way the company is speeding things up is to make maximum use of computer-aided design. These CAD pro-

grams simulate the electronic functions of the customer's product and verify that they do what he intended. Other programs then represent the functions in such a way that they can easily be converted into a silicon chip.

If desired, the customer can do his own design with a tool called Sceptre, allowing him to manipulate large amounts of data quickly and easily. The final outcome is a data tape made from the customer's floppy disc. This directly operates a "direct step on the wafer" machine in which all the time consuming mask-making processes previously associated with chip manufacture are eliminated, saving more time and money.

Instead of making these masks at many times full size and using photographic reduction to produce the tiny, extremely complex patterns on the face of the silicon wafer, an electron beam is used for direct writing of the masks at actual size.

After the wafers have been cut into chips and bonded into their packages the Gratz plant can bring a formidable array of automatic test equipment into action. Accounting for some 44m of the capital cost of the plant, it includes a pair of Fairchild Sentry 7 testers, a Xicom 5582 unit for testing memories and six automatic

handlers for the various packages involved. An electron microscope and X-ray spectroscopic analysis equipment keep a constant check on quality.

The plant is also not short of computer control. Most of the production machines are managed by a microprocessor and there are 10km of cable connecting up over 100 terminals to the HP 3000 mainframe. Inventory, cost and engineering data is collected throughout the plant for analysis. There are a further 10 on-line business systems for finance and administration.

AMI says it can offer the complete spectrum of custom design techniques, ranging from the simple gate array through the standard cell approach to the fully customised circuit in which analogue and digital circuits can be combined.

Further increases in complexity might lengthen the design time says Seely, but the time to produce wafers will remain the same. At the moment, the company talks in terms of a total time of four weeks—from the production of a tape from CAD for the electron beam mask maker, through to packaged and tested parts.

It is a far cry from the early days of custom design, when as many months would have been needed.

EDITED BY ALAN CANE

## CAD systems

## Rotring ties up with PAFEC

PAFEC is a small but rapidly growing supplier of computer-aided design systems which has recently signed up an important agreement with Rotring, the West German drawing office equipment maker.

Rotring is to market PAFEC's CAD systems in German-speaking markets and the deal could be worth millions of pounds a year to the British company. Rotring has set up a subsidiary called EuroCAD to market the system.

The main system that will be marketed is PAFEC's design office graphics system, called DOGS, for computer-aided engineering. Since the company's formation seven years ago, turnover has risen to £1.1m. The company was set up by six members of staff at Nottingham University. Now it employs about 100 people and has offices in London, Bristol and Edinburgh as well as Nottingham.



The new custom design facility at Gratz has the very latest in production technology. The factory hopes to cater for a significant part of the growing market in special silicon chips.

## TI MODEMS LINK COMPUTERS TO PHONES

## Digits to bleeps by chip

BY ALAN CANE

UNTIL THE world moves to telecommunications based entirely on digital signals—the language used by computers—there will always be a need for a device to translate between the computer system and the telecommunications systems.

That device is called a modem (modulator demodulator) and in its earliest incarnation it was about the size of one of today's desk top microcomputers.

Modems take digital signals from the computer and convert them into the analogue information that the telephone system is best able to transmit and vice-versa.

Telecommunications centres were and still are in some extent distinguished by the huge racks of modems lining the walls busily translating information from digital form to analogue and back again.

As the microelectronics revolution got under way, so it became possible to build a modem based on a handful of chips no bigger than a desk top card file. Now two companies, Advanced Micro Devices (AMD) and Texas Instruments (TI) have managed to shrink all the necessary circuitry on to a single chip.

The AMD 7910 device is the

more complex of the two, offering 300, 600 and 1200 line speeds (CCITT V.21 and V.23). The Texas TCM3101 offers Bell 202/V.23 compatibility and is cheaper.

Manufacturers who make the kind of equipment which needs modems are eagerly evaluating the two chips to see which suits their particular needs, but the emergence of these two new devices has a significance far beyond a marketing battle between two silicon houses.

Cheap, tiny modems are the key to cheap computer communications—and that means a new boost for devices such as personal computers, videotex terminals, airline and bank teller workstations and automated teller machines in banks.

Reviewing the prospects for the new TI chip, Frank Owen, worldwide strategy manager for TI's telecommunications products, said: "There is every sign that this chip will be the new TMS 1000."

He was referring to TI's best selling four bit microprocessor chip whose sales worldwide are now somewhere over the 80m mark.

What makes the new TI chip interesting is that it is fashioned in CMOS, a way of fabricating

silicon chips that is very fashionable at the moment because chips made this way use very little power—and in consequence dissipate less heat than chips made by other techniques.

Built for French experiments in videodata technology, the chip is a 1,200-bits-per-second, frequency shift keyed modem which allows users to transmit data entered through a keyboard at the same time as incoming data are being received.

Already U.S. personal computer users are thinking of novel uses for the new chip, Mr Owen says. Some, for example, are playing computer games—but in two separate houses connected by the telephone line.

With widespread interest in connecting microcomputers together in networks to gain access to information stores—the BT Prestel operation is a UK example. The Source, one from the U.S., the market for low-cost ways of connecting digital devices to the telephone network, is in its infancy. But there is no reason to doubt Mr Owen's claim that his chip—and that of AMD—must be massive sellers. "The secret in this kind of integration," he says, "is always to cut costs."

## EDINBURGH UNIVERSITY TAKES ON ICL WORK

## The bridge between text and data

BY PAUL WALTON

EDINBURGH UNIVERSITY will be the proving ground for ICL's digitised voice and data network.

Mr Scott Currie is the project's leader at Edinburgh. He said the development work will be of great competitive benefit to the UK's major domestic computer vendor ICL. The government is also involved in the £800,000 collaboration.

Academics at Edinburgh will be building one of the first integrated voice and data computer networks using a digital private automated branch exchange (pabx) together with a local area network.

"The objective is to prove that it will actually work, and it will be the first commercial application of the ideas for ICL," Mr Currie said.

He added that proving standards, or even detailing some new ones, would be as important as building a working system for the University's own use by 1995. This could give ICL a vital lead in the scramble for integrated computer and com-

munications standards, and a first working site to show potential customers.

Edinburgh's network will see the connection of ICL's digital pabx (the Mital SNX 2000) to the suppliers own Ethernet-type Osan local area network in the first instance, with the first appearance of a new ICL product called the voice server.

Mr Currie explains that software inside the voice server will allow digitised voice to be stored on magnetic media, or forwarded along the Osan network in much the same way that digital data such as text, graphics or computer instructions are already passed around the system.

"We will be looking for the best place to connect terminals, to either the pabx or on to the local network, to get the best performance," he said. He added that this work will go much further in time, as the difficult task of balancing the flow of information around the network is tackled.

The University will be almost unique in having the four most

popular types of digital communications networks at its disposal in order to work out the complex connections which have to be made between them: the Osan Ethernet network; the Cambridge Ring, which is the other species of token ring network; the X25 computer to computer link; and the next generation of digital telephone systems.

Mr Currie said that a team of half a dozen people at Edinburgh would be doing some other unique work too: "We're going to build an intelligent bridge linking two Ethernets, and we'll try to develop some standards for the transmission of graphics and facsimile."

He said that the "bridge" between two Ethernet local area networks would be accomplished by a separate device, programmed to "intelligently" switch message between various addresses. These might be terminals or peripherals, such as the expensive laser printer which Edinburgh will use as a shared resource.

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## Telecoms

## Investment for optic fibres

FOCOM SYSTEMS, a three-old optic fibre company, has received £580,000-worth of investment from the British Technology Group and Barclays Development Capital.

The company was formed in 1990 following a management buy-out from the fibre optic group of Rank Precision Industries. Now it has developed expertise in short distance data communications systems.

For example, it has installed optical cables for a closed circuit television system at the National Coal Board's Hem Heath Colliery in Staffordshire and a traffic control communications link between the Greater London Council and New Scotland Yard. Part of the new finance will be used to develop its products further.

## Management

## Playing the technology game

A GAME to test management skills in information technology is to be run as a national competition sponsored by Philips Business Systems.

Companies interested in competing in the competition, which is to be run by Computer Management magazine, have to be registered by November 11. The game will be contested in Birmingham on January 17 next year.

Teams will have to devise a proposal for a fictitious trading company needing a data processing strategy for most effective information handling. More details are available from EEC Publications, 196-200 Balls Pond Road, London.

## Photography

## Computer pictures

POLAROID has introduced a low-cost, interactive film recorder to produce high-quality 35mm slides and instant photographs of personal computer graphics.

Called the Palette, it is designed to use with personal and small business computers to make presentation quality colour or black-and-white graphics hard copy. More information is available from Polaroid at St Albans on 0277 58191.

## Materials

## Brake coating

A ST HELENS based engineering company, AN Engineering, says that it has developed a coating technique which could extend the life of brake shoes by as much as five times. The company, which is hoping to double its turnover as a result of the development, has received approval from British Leyland. More information is available on St Helens 38064.

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# SECTION III - INTERNATIONAL MARKETS

## FINANCIAL TIMES

Friday October 28 1983

### WALL STREET

## Investors pay price of optimism

STOCK MARKETS on Wall Street remained subdued yesterday with the continuing international uncertainties reinforcing the market's doubts over the short-term outlook for both equity and fixed-interest securities, writes Terry Byland in New York.

The Dow Jones Industrial average was down 1.73 at 1,242.07 at the close. There were 79.7m shares traded.

Bond prices rallied by just under 1/4 point but could find few buyers despite the steady rise in yields over the week. Leading stocks recorded small losses and over the broad range of the market sellers were still in the majority.

Traders commented that the stock market had been unsettled by the lacklustre performance of the fixed-interest sector. The bond market was fairly happy with the details of the Treasury's funding plans for the next quarter, announced late on Wednesday.

But a further cause for unease came at the opening of yesterday's market when the Treasury postponed the day's planned auction of \$7.75bn in one-year issues, blaming the Senate delay in approving the new debt ceiling. While the delay is almost a tradition, it is a reminder

der of the political disapproval of high federal deficits.

Dealers also said that the stock market is paying the price for some over-optimism at the opening of the quarterly reporting season. Results from major companies have often been either discounted by the market in advance or have fallen short of expectations.

The stock market session opened with a warning on profits from Asarco, the asbestos and metals group, which dipped by \$1 to \$27.

Another pointer to the market's uncertainty was in Commodore International, the star of the personal computer industry, which shed a further \$2 1/2 to \$32 despite a vigorous denial from its chairman of rumours of a high return rate on the recently introduced 64 model. The stock fell sharply on Wednesday following the announcement of quarterly figures.

Motor issues could not sustain the gains which greeted profits news this week from the major Detroit manufacturers. General Motors lost \$1 to \$78 1/2 and Chrysler \$1 1/2 to \$28 1/2 while Ford at \$68 was down 5/8 after disclosing substantial profit in the third quarter.

Oil shares turned lower after Standard Oil, controlled by British Petroleum, fell \$1 1/2 to \$51 1/2 on disclosure of a 10 per cent drop in earnings. Standard California lost \$1 1/2 to \$34 1/2 while Standard Indiana \$4 to \$49 1/2 and Exxon at \$38 1/2 gave up \$1 1/2.

On the other major corporate reporting fronts, Du Pont edged ahead by \$1/2 to \$32 1/2 in somewhat restrained response to higher profits in the third quarter. Dow Chemical at \$34 1/2 and

Union Carbide at \$65 1/2 were each \$1/2 lower.

But the weak spot in chemicals was Monsanto, a further \$2 1/2 down at \$104, still responding to bearish comment from a leading brokerage house.

Recent U.S. buyers of Imperial Chemical of the UK were pleased with the trading results and the stock, traded as American Depositary Receipts on the American Stock Exchange, put on \$1/2 to \$69.

Airline issues presented a firm face, helped by the results from Delta, \$1/2 up at \$37 and United Airlines \$1/2 higher at \$29 1/2.

IBM, \$1 1/2 up at \$129 1/2 regained leadership of the mainframe computer sector from Honeywell which fell \$2 1/2 to \$124 1/2. AT & T jumped \$1 1/2 to \$61 1/2 as the market tried to guess the future for the group after the sale of the operating companies.

Retail stocks weakened, as the market awaited the quarterly trading season. Toys R Us, the largest specialty store, fell \$2 1/2 to \$38 1/2. Dayton Hudson shed \$1 to \$36 1/2 and only Sears Roebuck, now seen as an interest rate stock because of its consumer financing operations, resisted the trend with a rise of \$1/2 to \$40 1/2.

The key long bond traded at 102 1/2, a net 1/4 up and yielding 11.69 per cent. The same yield was shown on the new 10-year bonds due for sale next week and trading yesterday on a when-issued basis.

### LONDON

## ICI shifts emphasis to equities

THE EMPHASIS in London stock markets shifted yesterday to equities with the accent on U.S. favourite ICI, up \$1/2 to 570p after third-quarter results. Other equities took their cue from ICI and boosted the FT Industrial Ordinary index by 4 to close at 894.

Cable and Wireless shed 5p to 280p on confirmation that the UK Government is considering the sale of part of its 45 per cent stake in the group.

Profit-taking took its toll on longer-dated government stocks, with falls up to 1/4, while shorts lost about 1/2 of recent gains. Details, Page 31; Share Information Service, Pages 32-34.

### TOKYO

## Blue chips underpin new demand

DEMAND REVIVED in Tokyo yesterday, underpinned by a bout of buying of blue-chip issues by a leading investment trust management company in the wake of heavy selling due to political turmoil at home and abroad. Meanwhile, the bond market remained in the doldrums, writes Shigeo Nishikawa of Jiji Press.

The Nikkei-Dow Jones market average gained strength on small-lot buying, jumping 76.54 to end at 9,323.09. Volume remained thin at 248.76m shares - the first time in four trading sessions to exceed 200m - against the previous day's 188.86m.

Market sentiment was enlivened by buy orders placed by Nomura Investment Trust Management for blue-chip stocks like Hitachi, Mitsubishi Electric and Matsushita Electric Industrial in lots of 50,000 to 100,000 shares. Its buy orders fell short of 1m shares, including those for other quality issues, but its purchases helped lure investors back to the market.

High-priced quality issues gained ground with Hitachi putting on Y5 to Y670, Fujitsu Y40 to Y1,320, TDK Y130 to Y4,780 and Kyocera Y200 to Y6,900.

A pick-up in demand for vehicles in Japan and the U.S. took vehicle shares further upward, pushing Toyota Kogyo up Y35 to Y494.

Elsewhere, Sumitomo Electric, which is involved in the projected information network system (INS), an advanced nationwide telecommunications grid using optical fibre cables, firmed Y6 to Y858.

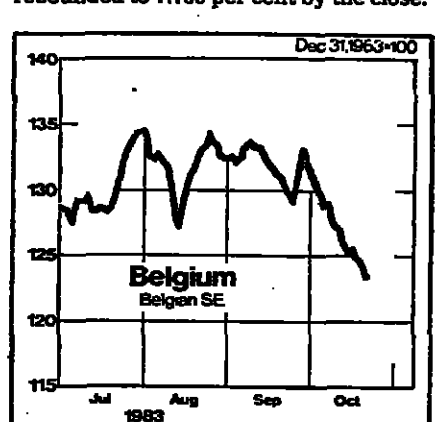
Maruzen Oil and Daikyo Oil, which lost ground as investors were daunted by the planned merger of their refinery areas into a new company, fell further, with Maruzen Oil slipping Y28 to Y355 and Daikyo Oil Y18 to Y336.

Aoki Construction, a highly speculative issue, moved the maximum Y50 to Y850, but non-ferrous metal shares eased across the board.

In the bond market, investors stayed on the sidelines awaiting new buying stimulus.

A sogo (mutual) bank and two regional banks sold government bonds with a relatively long term remaining to maturity in small lots, while financial institutions serving the agricultural and forestry sectors and trust banks bought bonds in small lots.

In inter-broker trading, the benchmark 7.5 per cent long-term government bond, maturing in January 1993, was marked up, and the yield continued below the previous day's 7.75 per cent, but rebounded to 7.75 per cent by the close.



### EUROPE

## Queue forms in Frankfurt profit-taking

SMALL INVESTORS fell in line with the institutions by taking profits in Frankfurt yesterday and the market suffered a second successive reverse after its two-week run up to record levels. The Commerzbank index, calculated at mid-session was down 5.8 at 1,003.4.

An early attempt to push prices higher - soon failed and a sometimes volatile mood prevailed as the small investors sold nervously, following the Government's decision to sell off a 13.75 per cent stake in Veba, the energy concern.

Veba had fallen back in after-hours trade on Wednesday following the Government's announcement and the decline continued yesterday. At the close, Veba was down DM 6.40 at DM 165.80.

Lufthansa also came in for some nervous selling on the view that the Government could plan to reduce its 74.3 per cent stake. Its ordinary shares fell DM 3.50 to DM 127.50.

There were also gains in some sectors and this buoyed hopes that there could soon be a halt to the downward trend. Tyre maker Conti-Gummi added DM 2.70 to DM 117.70 and BMW was DM 2.50 ahead at DM 412.50. In chemicals, Hoechst held on to mid-session gains, closing up DM 1.20 at DM 171.30.

Domestic bonds recorded narrow fluctuations with little fresh impetus coming from the Federal Government's new loan stock - an 8 1/2 per cent issue priced at 100.25 to yield 8.21 per cent.

The trend in Amsterdam was again lower in listless trading. The threat of possible strikes in the Netherlands in coming weeks in protest at Government plans for a wage cut was cited as a reason for reduced foreign demand for Dutch shares.

Banks and insurances were the weakest sectors, mainly on concern about the course of U.S. interest rates. ABN fell Ff 12 to Ff 347.

The recent series of capital increases by Belgian companies was among reasons for shares again being depressed in Brussels. Around BFr 20bn in new stock is expected before the end of the year.

Brussels Lambert, which announced a BFr 6.7bn rights issue - the largest in Brussels stock exchange history - was marginally ahead, closing BFr 10 up at BFr 232.5.

A quickening in French retail price growth in September compared with August hindered shares in Paris and the market closed mixed after a slow session.

CTT-Alcatel was a bright performer, however, adding Ffr 30 to Ffr 1,410.

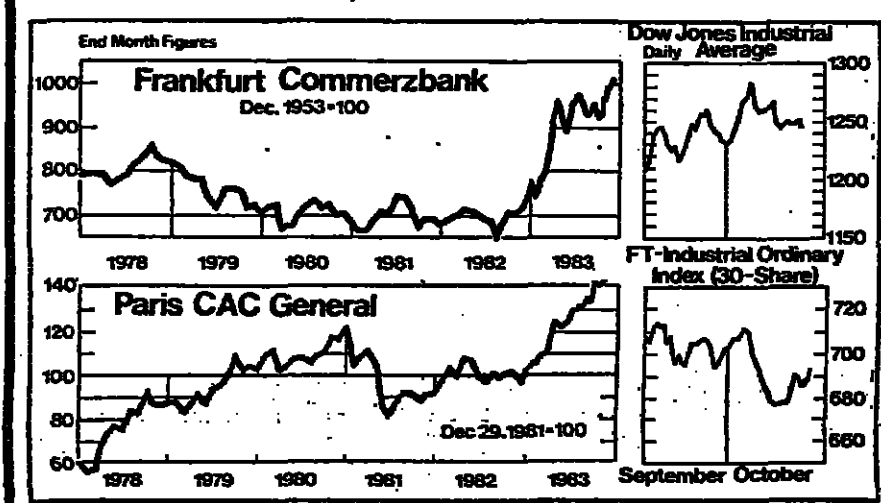
Milan also ended mixed with financials suffering the largest losses, while industrials held steady. Fiat was in strong demand, adding L19 to L2,909 while Pirelli was up L30 to L1,470.

In Zurich, prices were buoyed by the strength of shares in several chemical manufacturers and the market continued firmer. Hopes of lower domestic interest rates and some recent quarterly results are also aiding sentiment.

Among banks, Bank Leu added SwFr 100 to SwFr 4,200 after its announcement of a one-for-10 rights issue.

Stockholm continued stronger as concern about Government budgetary measures eased while Madrid also moved ahead in quiet trading.

### KEY MARKET MONITORS



STOCK MARKET INDICES			
	Oct 27	Previous	Year ago
NEW YORK			
DJ Industrials	1242.07	1243.80	1006.35
DJ Transport	580.44	580.25	421.39
DJ Utilities	139.69	140.22	119.6
S&P Composite	164.84	165.38	135.28
LONDON			
FT Ind Ord	894.0	890.0	594.0
FT-AI share	432.54	431.65	369.25
FT-A 500	458.90	457.72	408.07
FT-A Ind	426.48	425.73	377.20
FT Gold mines	478.3	508.3	359.9
FT Govt sec	81.75	81.94	83.73
TOKYO			
Nikkei-Dow	9323.09	9248.55	7289.96
Tokyo SE	683.68	678.15	542.52
AUSTRALIA			
All Ord.	677.2	677.4	506.9
Metals & Mins.	499.1	500.0	410.0
AUSTRIA			
Credit Aktien	54.32	54.35	47.49
BELOSUM			
Belgian SE	123.3	124.11	98.65
CANADA			
Toronto Composite	2371.8	2484.5	1779.1
Montreal Industrials	419.90	422.37	321.32
Combined	402.95	405.23	304.45
DEMARK			
Copenhagen SE	200.54	198.7	90.26
FRANCE			
CAC Gen	141.2	141.2	99.8
Ind. Tendance	149.6	149.6	115.3
WEST GERMANY			
FAZ-Aktien	338.28	340.08	234.29
Commerzbank	1003.4	1009.2	709.3
HONG KONG			
Hang Seng	815.28	797.85	774.91
ITALY			
Banca Com.	185.82	185.92	163.6
NETHERLANDS			
ANP-CBS Gen	137.4	139.5	95.0
ANP-CBS Ind	112.4	113.9	72.6
NORWAY			
Osclo SE	207.59	207.59	104.61
SINGAPORE			
Straits Times	945.62	945.62	719.32
SOUTH AFRICA			
Industrials	n/a	727.1	719.5
Industrials	n/a	901.6	680.8
SPAIN			
Madrid SE	123.25	122.41	100.59
SWEDEN			
J & P	1439.24	1422.7	737.87
SWITZERLAND			
Swiss Bank Ind	344.3	342.9	263.1
WORLD			
Capital Int'l	179.0	179.9	142.7
GOLD (per ounce)			
	Oct 27	Previous	Yr ago
London	\$383.625	\$388.125	
Frankfurt	\$384.75	\$391.00	
Zurich	\$384.50	\$393.50	
Paris (fmg)	\$385.45	\$395.10	
Luxembourg (fmg)	\$385.00	\$397.00	
New York (Oct)	\$386.20	\$386.50	

### HONG KONG

A ONE POINT cut in prime rate to 15 per cent took shares higher in an active Hong Kong market. Most deposit rates also fell by one point.

The Hang Seng index rose quickly after the announcement and then levelled off to hold the rise, ending up 17.43 at 815.28.

The possibility of a prime rate cut sparked a rally on Wednesday. Investors, however, are still cautious about the market and believe that recent gains will only be held if there are further interest rate cuts in the near future.

### SINGAPORE

LATE BARGAIN hunting and short covering left Singapore to close mixed after an easier opening. The Straits Times Industrial index ended unchanged at 945.62 on a lower turnover than in the previous session.

Promet was the most actively traded share for the second successive day, ending 2 cents higher at S\$4.12. This followed an announcement that it had incorporated two wholly owned companies to carry out property developments.

### AUSTRALIA

SHARES ENDED mixed in Sydney with a lack of foreign buying keeping volume low. Some selling orders early in the session pushed prices lower, but later bargain hunting pulled shares back.

Oil issues were little affected by reports that the preliminary results from Nacowil South One well had signalled the discovery of another south-west Queensland oilfield. Among the Nacowil partners, Santos closed steady at A\$7.26 and Ampol Exploration retreated 10 cents to A\$3.25.

### SOUTH AFRICA

EVERY gold share traded yesterday in Johannesburg plunged in a cascade of selling, with Gold Fields suffering one of the largest falls of the session, a drop of R9 to R100, on a weaker bullion price.

Free State Geduld incurred a proportionately higher loss of R4.5 to R39.25, while Anglo American Gold shed R4.75 to R11.8. Buffels surrendered R2.5 to R49.

Barlow Rand, the largest industrial group in South Africa, fell 30 cents to R12.4.

### CANADA

SUSTAINED WEAKNESS in golds pushed Toronto sharply lower by mid-session, with large losses also in oils, metals and transport issues.

Canadian Occidental Petroleum fell C\$1 1/2 to C\$28 1/2 although Dome Petroleum gained 5 cents to C\$4.05. Banks, industrials, papers and utilities were all lower in Montreal.

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# CUMBRIA

DECEMBER 9, 1983

**INTRODUCTION:** Cumbria is the second largest county in England and Wales. Though it is a mainly rural area, good communications provided by the M6 motorway, the main West Coast London to Edinburgh rail line and services from Carlisle Airport provide a solid foundation for industry. An unemployment rate lower than the national average masks the economic problems of West Cumbria which has suffered industrial shrinkage. The Survey will examine new initiatives designed to bolster the country's economy.

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The size, contents and publication dates of all Surveys are subject to change at the discretion of the Editor

**Continued on Page 29**



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## AMERICAN STOCK EXCHANGE CLOSING PRICES

## NEW YORK CLOSING PRICES

Continued from Page 29  
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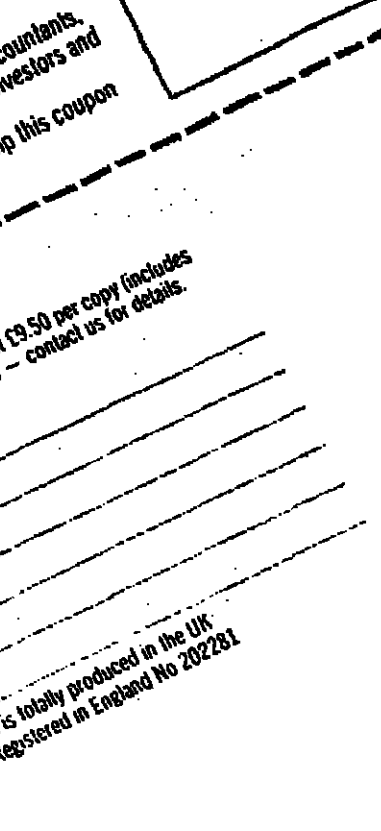
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Save & Prosper—continued		
Overseas Funds & Sector Funds		
Europe (2)	148 1/2	259 1/2 -1 1/2
Japan (2)	190 0	212 9/16 +3 7/8
Japan Smaller Cos (2)	50 1/2	54 1/2 +0 3/4
S.E. Asian (2)	23 1/2	28 1/2 +0 1/2

<b>Wyn's Life Unit Trust, Mgrs., Ltd.</b> NY 229-1111			
Assets	\$17.7	0.0	1.7
Liabilities	0.0	0.0	0.0
Net Assets	\$17.7	0.0	1.7
Income	0.0	0.0	0.0
Capital Gains	0.0	0.0	0.0
Dividend	0.0	0.0	0.0
Yield	0.0	0.0	0.0
<b>Capital Authorities' Mutual Invest. Tr.</b> NY 229-1111			
Assets	\$17.7	0.0	1.7
Liabilities	0.0	0.0	0.0
Net Assets	\$17.7	0.0	1.7
Income	0.0	0.0	0.0
Capital Gains	0.0	0.0	0.0
Dividend	0.0	0.0	0.0
Yield	0.0	0.0	0.0
<b>Wyn's Life Unit Trust, Mgrs., Ltd.</b> NY 229-1111			
Assets	\$17.7	0.0	1.7
Liabilities	0.0	0.0	0.0
Net Assets	\$17.7	0.0	1.7
Income	0.0	0.0	0.0
Capital Gains	0.0	0.0	0.0
Dividend	0.0	0.0	0.0
Yield	0.0	0.0	0.0
<b>National Westminster</b> 141, Chancery Lane, London, W.C.2, England			
Assets	\$17.7	0.0	1.7
Liabilities	0.0	0.0	0.0
Net Assets	\$17.7	0.0	1.7
Income	0.0	0.0	0.0
Capital Gains	0.0	0.0	0.0
Dividend	0.0	0.0	0.0
Yield	0.0	0.0	0.0

Tyndall Managers Ltd.(a)(b)(c)			
19 Canyon Road, Boston		0277 712241	
Amesbury Securities	107 0	72 1	-0.2
(Arthur Unit)	107 0	71 2	-0.1
Capital	107 0	216 2	-1.3
(Unit)	107 0	108 2	-0.3

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COMMODITIES AND AGRICULTURE

Avonmouth zinc smelter saved

BY JOHN EDWARDS, COMMODITIES EDITOR

THE THREAT to close Britain's only zinc smelter at Avonmouth, near Bristol, was lifted yesterday. A. M. & S. (Europe), part of the Rio Tinto Zinc group, which owns the smelter, told employees that the survival plan launched in July to save the company had succeeded.

Productivity had improved, in spite of a reduction in the workforce from 700 to 300, and the smelter was now on a sound profitable basis working at close to full capacity.

The Avonmouth smelter had been a prime candidate for closure after many years of sustaining heavy losses including a loss of nearly £10m last year.

The smelter has been plagued with problems ever since it opened in 1968. As a result it was the favourite choice for closure under a plan, approved by the EEC Commission, to rationalise the European zinc industry by paying compensation to any smelters volunteering to shut.

December aluminium trading for Comex

By Nancy Dunne in Washington

ALUMINIUM futures trading is expected to begin on New York's Comex exchange in the week of December 5.

The Commodity Futures Trading Commission, which had been expected to approve the contract in November, has delayed action for a more thorough than usual review, officials said. But no problems have been found with the contract, and the go-ahead is now forecast for December 1.

THE TRADITIONAL Cox has been ousted as Britain's most popular apple. The Spartan, a Canadian apple, was named "most eatable apple" at the Marden fruit show in Kent.

ISRAELI scientists are using genetic engineering techniques to fight the tristezza virus which attacks citrus trees.

THE SOVIET Union will honour the long term grain agreement and buy the full amount of U.S. grain despite increased tensions over the invasion of Grenada, said U.S. Agriculture Secretary John Block.

ROOTWILT disease and drought have affected more than 25m of the 130m coconut trees in the Indian state of Kerala, where production has been reduced to one sixth of last year's output.

THE PROGRAMME to eradicate Aujeszky's disease (pig herpes) has been "substantially completed," says the Ministry of Agriculture. 353,000 infected pigs have been slaughtered, and compensation payments have reached almost £21m.

WORLD COTTON stocks will be reduced to the equivalent of a "manageable" four months of consumption which should ensure price stability in 1993-94, says the International Cotton Advisory Committee.

Lack of unanimity may impede tenancy reform Bill

THE TENANT farmer is a declining breed. There were 380,000 in 1910 and half that number by 1950. The figure had halved again by 1975. There are now about 60,000 and they are still declining. Meanwhile an increasing number of young people want to become farmers, putting immense pressure and security value on the few farms being left. This is reflected in the rents bid for farms put up for tender.

The decline has no single cause. One reason is the reduction of the number of farms from 400,000 in the 1930s to fewer than 200,000 today. The spread of owner occupation, death duties and the interwar slump caused the break-up of many estates.

Since 1947 the existence of lifetime security for tenants and since 1978 for three generations has discouraged landlords. Equally, the disadvantage of rental income being classed as unearned coupled with farming prosperity has encouraged many more landlords to farm their own farms.

Tenant farmers, although secure, are unhappy about the formula which can be used to fix rents if the question goes to arbitration failing an agreement with their landlords. The arbitrators are guided by the 1959 Agriculture Act which excludes them from the tenancy formula. It takes into account the capacity of the tenant who should be a "competent but not brilliant" farmer.

Neither the CLA nor the NFU appear to have consulted their grass roots members—or if they have, their representatives have not been heeded. The institutions—colleges, charities and public bodies—and the land agents looking after their interests, are up in arms about the rent fixing formula. They claim it will destroy the market, leading to a fall in the value of let land relative to that with vacant possession and will even discourage further lettings.

There is truth in all these assertions. Let land is already not far off half the price of land sold with vacant possession.

Many tenant farmers are unhappy at any tampering with their security, although existing tenants are protected. One argument is that it could lead to invidious distinctions between farming families who were safe for the foreseeable future, and those who could be evicted.

Another consideration is that EEC membership has provided farmers with open-ended guarantees for their main commodities at prices, which while they might not have reflected the full extent of inflation, have more than covered costs with a generous margin.

It could also remove the incentive for landlords to farm themselves or in partnership. The method of avoiding the restrictions of conventional tenancies. This could lead to a fall in the value of both let and vacant land and could provide opportunities for the young entrant.

FARMER'S VIEWPOINT: By John Cherrington

Landlords, represented by the Country Landowners' Association (CLA), have been trying to get tenancies limited to one generation, and have hinted that this would open the way to them putting more farms on the market.

Now, after several years of negotiation, the NFU and CLA have come up with a package which the Government will introduce in the Lords shortly as a Bill. This seems to contain two main ingredients.

New tenancies will be limited to 140m tonnes, 3.3m tonnes down on the previous estimate and 116m tonnes lower than last season.

World carryover stocks of coarse grain at the end of 1993-1994 are expected to fall to 81m tonnes, against 81m previously, but wheat stocks are forecast to rise by 2m to 113m tonnes.

Imports by the Soviet Union are predicted to drop by only 4.5m to 29m tonnes in spite of the total grain crop rising by 15m to 195m tonnes.

Chinese imports of grains are expected to fall marginally too, from 15.6m to 15.5m in 1993-94, following a rise in domestic production to a record 355m tonnes, 2m up on 1992.

pushed out as soon as there was a deal.

To try to resolve these questions the two bodies are calling for consultations with all interests to see if an agreed measure can be hammered out.

Mr Peter Walker, the former Agriculture Minister, wisely foresaw these problems and refused to legislate unless there was unanimous approval. His successor, Mr Michael Jopling, could well wish he had taken the same view.

On the face of it, the new

Silver prices tumble again

BY JOHN EDWARDS

SILVER PRICES tumbled again yesterday, dropping to the lowest levels since November last year. The London bullion spot price was cut by 57.4p to \$75.50 a Troy ounce at the morning fixing, but the market rallied in the afternoon to close at \$85p.

Heavy selling was triggered off in the New York silver market by reports that Peru and Mexico may be forced to step up sales of silver to help pay their debts and protect their currency reserves.

There is also disappointment that the recovery in the U.S. has failed to boost silver consumption as much as anticipated.

World wheat estimate cut

BY JOHN EDWARDS

THE INTERNATIONAL Wheat Council yesterday cut its estimate of this year's world wheat crop by 3m to 453m tonnes—the same as the 1992 record figure.

The council's latest market report, published yesterday, cut crop in the Soviet Union by 30m tonnes, but said the decline was partially offset by higher estimates for Argentina, Australia and the EEC.

The council, however, raised its forecast of Soviet coarse grains production by 5m to 105m tonnes, and lifted its world coarse grains output figure to 689m tonnes, still 96m tonnes down on the record 1992 output of 785m tonnes.

Reduced sugar output expected

WASHINGTON—The U.S. Agriculture Department (USDA) has initially estimated world sugar production in 1993-94 at 94.7 tonnes (raw value), 6.1m tonnes below the revised 1992-93 output of 100.8m tonnes.

In its round-up of world production and trade developments, the department said world production from cane is expected to account for 68.4m tonnes and sugar from beets for 26.3m tonnes.

It said low world sugar prices has resulted in a reduction in beet and sugarcane world production from cane is expected to account for 68.4m tonnes and sugar from beets for 26.3m tonnes.

U.S. to attend cocoa talks

THE U.S. will take part in a first round of preparatory talks in London next week on a new international cocoa agreement, U.S. Embassy commodity officer representative Mr Anthony Wallace said in London yesterday.

Further preparatory talks are expected to precede the International Cocoa Organisation council meeting in March which will decide whether enough progress on drafting a new pact has been made for negotiations to be held in Geneva in May.

The present agreement is due to expire next September. The Ivory Coast, the world's largest producer, is also a member but has already said it will participate in preparatory talks.

PRICE CHANGES

In tonnes unless stated otherwise	Oct. 27 1993	+ or -	Month ago	Oct. 27 1993	+ or -	Month ago
<b>Metals</b>						
Aluminium	£1050			£1050		
Free Mkt. (1500/1600)						
Copper	£191.25			£191.25		
Cash (1500/1600)						
3 months	£191.25			£191.25		
Gold (1000/1100)						
6 months	£191.25			£191.25		
Lead (1000/1100)						
3 months	£191.25			£191.25		
Nickel	£191.25			£191.25		
Free Mkt. (1500/1600)						
Palladium	£191.25			£191.25		
Platinum	£191.25			£191.25		
Quicksilver	£191.25			£191.25		
Silver (1000/1100)						
3 months	£191.25			£191.25		
Tin (1000/1100)						
3 months	£191.25			£191.25		
Tungsten	£191.25			£191.25		

BRITISH COMMODITY MARKETS

BASE METALS									
<p>BASE METAL PRICES were mixed in the London Metal Exchange. Copper slipped 32 pips to £1,302, three months, owing to heavy selling against options and general disillusioned selling. But pulled to close the afternoon bar at £1,343. Zinc continued to respond to persistent demand and southerners' offer to the ending of the day at £1,025.5, while Lead was finally £268.5. Currency consideration to £1,056.5 and Nickel to £32.04.</p>									
COPPER									
	p.m. Official		p.m. Unofficial		p.m. + or -				
High Grade	£	d	£	d	£	d		£	d
ash...	914.5	-	18	916.5	9.5	-5			
ash...	925.5	-7	15	941.5	-	-3.5			
ash...	914.5	-	18						
ash...	894.5	-15.5	899	-900	-4	-5			
ash...	916.5	-18.5	922.4	-	4.5				
ash...	896	-							
ash...	896.75	-			68.75				
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**INTERNATIONAL CAPITAL MARKETS**
**Eurodollar  
pricing  
attracts  
U.S. buying**

By Peter Montagnon, Euro-  
markets Correspondent, in London

CHASE MANHATTAN has launched a \$300m, 12-year floating-rate note in the U.S. which is believed to be the first publicly registered bond to be floated in New York with a Eurodollar pricing.

The issue, which follows a series of U.S. private placements carrying a Eurodollar interest rate, is designed to tap the growing demand for such paper among U.S. investors, especially commercial banks which are now offering money market-related accounts to their depositors.

Led by Salomon Brothers and Lehman Brothers, the notes will bear interest at the three-month London interbank offered rate for Eurodollars. This appeals to investors because it is normally higher than the equivalent Treasury Bill or Certificate of Deposit rate. The indicated issue price is 99 1/2%.

The cost to Chase is expected to be lower than that of floating an issue in the Eurodollar market itself. Although the main placement target is the U.S. market, lead managers also expect to sell some of the paper in Europe.

Another floating-rate note launched yesterday was a \$50m eight-year issue for the Kingdom of Belgium which is to be placed exclusively in the Nordic region by lead managers Sparebanken Oslo Akershus and Svenska Handelsbanken. The notes carry an interest margin of 1/8% over six-month Libor, and may be redeemed after five years at the noteholder's option.

Unusually for a Eurobond the notes, which are being sold in minimum denominations of \$500,000, are to be registered. Demand was said to be keen yesterday amid expectations that non-Nordic investors would try to buy some of the paper. Any unsatisfied appetite created for Belgian paper in this way could help sell a more broadly offered bond if Belgium decided to go ahead with such an issue, some bankers believe.

Secondary market trading in all major sectors was again dull yesterday. Aéroports de Paris is raising Ecu 25m through a 10-year, 11% per cent issue at par by Crédit Commercial de France, Société Générale and Banque Bruxelles Lambert.

**Way cleared  
for U.S. bond  
investment**

By Mary Ann Sieghart  
in Luxembourg

A FUND is to be launched today which will enable non-U.S. residents to invest in the American capital market. Based in Luxembourg, Capital Preservation Fund International (CPFI) claims to be the first mutual fund to offer international investors the chance to invest exclusively in short-term U.S. Treasury Bills.

Entry to the fund is through the purchase of shares, in either registered or bearer form, with a minimum investment of \$1,000. European investors can at present buy Treasury Bills and bonds independently of a fund, but any interest is subject to U.S. withholding tax. Shareholders in CPFI pay neither Luxembourg nor U.S. taxes on their investment.

The fund intends to retain all interest income for reinvestment, rather than distribute it, so that it will be reflected in the net asset value per share. This net asset value will determine the price of the share, and investors can buy or sell shares at no extra cost within 94 hours. The annual management fee is 0.5 per cent of the average daily total net assets of the fund.

CPFI is a subsidiary of the U.S. Capital Preservation Group. The Group's investment objectives are said to be maximum safety and liquidity; the rate of return a secondary consideration.

**FT INTERNATIONAL BOND SERVICE**

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which is published monthly. The following are closing prices for October 27.

U.S. DOLLAR

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**Inter-American Development Bank**

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Mitsui Finance Europe Limited  
Morgan Grenfell & Co. Limited  
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The Bonds, issued at 99.50 per cent., have been admitted to the Official List by the Council of The Stock Exchange subject only to the issue of a Temporary Global Bond.

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Particulars of the Bonds are available in the Extel Statistical Service and copies may be obtained during usual business hours up to and including 11th November, 1983 from:—

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28th October, 1983

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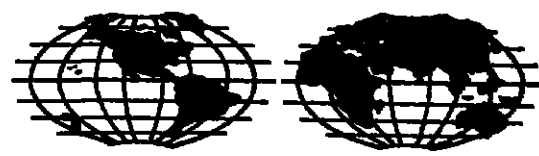
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August, 1983



## FINANCIAL TIMES SURVEY

## Metropolitan Counties

Within three years the Greater London Council and six metropolitan counties will have been abolished. The Government says the move will cut costs and increase efficiency. Opponents say costs will rise and democratic control will be weakened

IN APRIL 1986 one quarter of the population of Britain will find an entire tier of its local government has been abolished.

By ROBIN PAULEY

This has happened before: in 1974 people who had always lived in Somerset found themselves in Avon. Bourneham appeared in Dorset although everybody knew (and still knows) that it really is part of Hampshire. To the dismay of its inhabitants, Rutland disappeared altogether.

Part of that reorganisation, which was extremely unpopular, created the six metropolitan county councils in England—Greater Manchester, Merseyside, South Yorkshire, Tyne and Wear, West Midlands and West Yorkshire—which the then Environment Secretary, Mr Peter Walker, insisted on creating in the great urban conurbations. In this he went against the advice of the Redcliffe-Maud Royal Commission, which proposed only three such super-counties. Those six councils are now to be abolished without an inquiry, together with the Greater London Council, which has been in existence for 10 years longer than the counties.

#### Radical effects for London

The minor functions of the abolished authorities are to pass to the existing lower tier of government: metropolitan district councils and the London boroughs. But, because there is to be no fundamental reform of local government structure and its finances, the existing first tier councils are too small to cope with the major functions of fire, police and transport.

These will pass to a mixture of joint local authority boards and statutory bodies, none of which will be directly elected. The statutory body members will be appointed and the joint boards will consist of members nominated from the district and borough councils, the nominations reflecting the political composition of the councils.

In London, the effects will be more radical than in the other

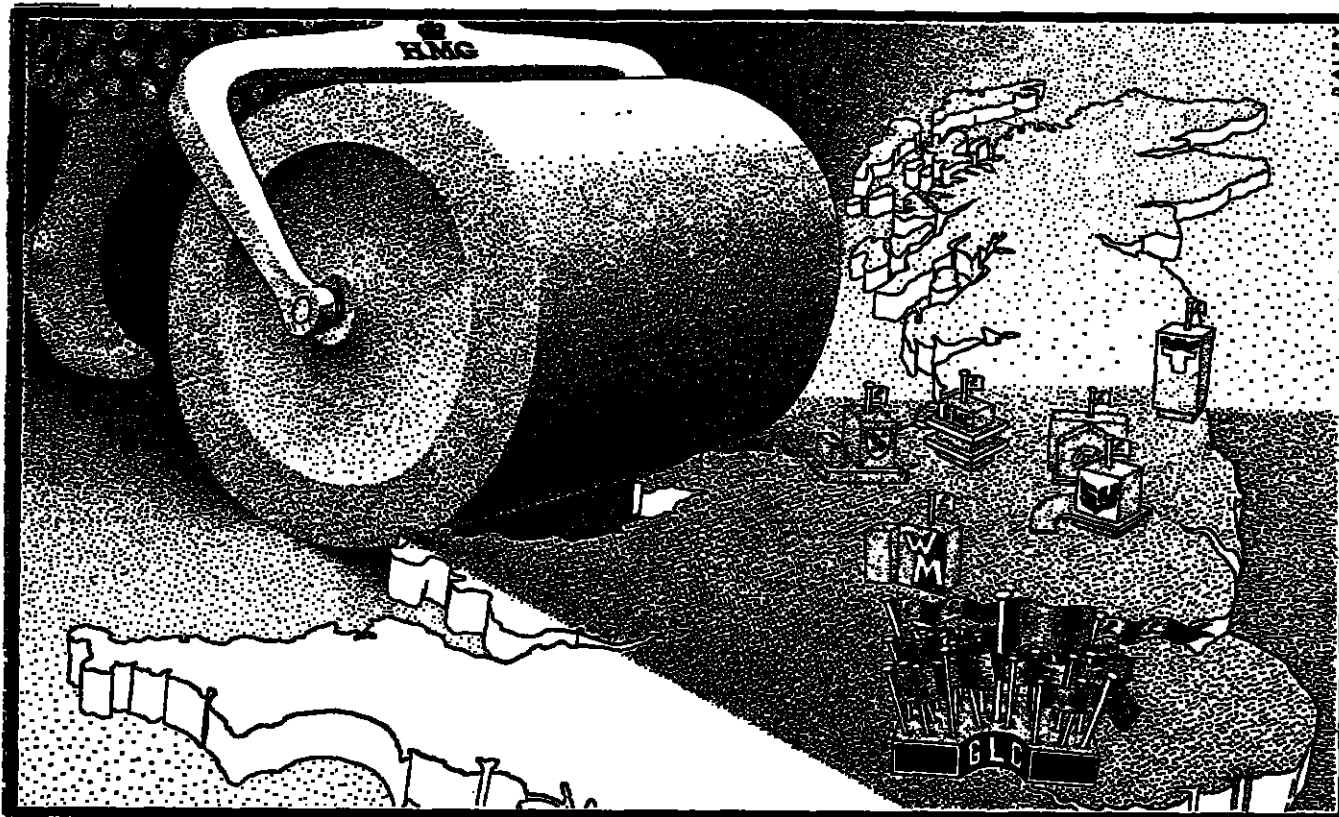
urban areas. The abolition of the Greater London Council will leave London—"a nation, not a city" as Disraeli described it—with no capital-wide government for the first time in more than a century. The GLC, covering 6.8m people—and around 9m if commuters into the city area are counted—was set up in 1964 to succeed the former London County Council and Middlesex County Councils.

In 1977, when the Tories controlled London's County Hall but not Westminster, the present Environment Secretary, Mr Patrick Jenkin, said: "I therefore believe that we have got to return to the concept that the GLC is a strategic authority. The GLC's planning powers should be essentially strategic and provide a framework within which the boroughs should operate the day-to-day planning controls. The GLC should remain responsible for London Transport, and its transport planning should be progressively integrated with its strategic land use planning."

Since then the political power positions have been reversed. The Conservatives are in power at Westminster and Labour controls all the metropolitan counties and the GLC. The leadership of the GLC, in particular, has infuriated the Government both by its controversial and highly publicised political pronouncements, and by adopting an expenditure philosophy diametrically opposed to that of the Cabinet.

Hence, the statement in this year's Tory general election manifesto that the GLC and metropolitan counties were both "wasteful and unnecessary." Earlier this month Mr Jenkin said that "there is no real need for so-called strategic authorities... It is now clear that they result in friction and duplication."

This echoes the recent White Paper "Streamlining the Cities"



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which says:

"The GLC and MCCs have found it difficult to establish a role for themselves. Most of the real power rests with the borough and district councils. The upper tier authorities have a large rate base and an apparently wider remit. This generates a natural search for a 'strategic' role which may have little basis in real needs."

"What is more, in most policy areas, the implementation of such strategic views as may be developed depends, in practice, on the agreement of the borough or district councils, which may not be forthcoming. This is a recipe for conflict and uncertainty. A strict interpretation of the upper tier role, as envisaged in the legislation, would leave members of these authorities with too few real functions. The search for a wider role brings into conflict with the lower-tier authorities. It may also lead them to promote policies which conflict with national policies which are the responsibility of central government."

In part, this is borne out by events. There have been frequent time-consuming and bureaucratic conflicts between the two tiers, and the lower tier authorities, as eager as anybody for more power, have made little secret of their desire to assume the sole mantle of government in their areas and take over some county functions.

In addition, the argument is put forward by many students of government that a single tier of local government might be the best way to improve accountability and democracy. Ratepayers would receive a single bill for services provided by a single council and the leverage between providers and payers would be stronger.

This would entail, however, a wholesale and careful reorganisation of local government throughout England and Wales. It could not be successfully attempted without a simultaneous review of local sources of finance to try to redress the imbalance in the rating system, which now has to bear too great a burden financed by far too

few recipients of the benefits and services. But the Government is not proposing such a change; both the rating system and the structure of two-tier government in the shire areas will remain intact.

Nevertheless the Government is claiming that the abolition of the top tier in the capital and major urban areas will save ratepayers' money, save around 9,000 jobs and eventually provide a more efficient and cost-effective delivery of services, even if there is a diminution in democratic accountability.

#### No functions to be abolished

Officials also travelled to West Yorkshire to discuss a study by West Yorkshire County Council which showed

abolition costs of between £20m and £30m plus annual costs of £8.1m as a consequence of removing that council alone. They returned to London to declare that the methodology of the study was impeccable but all the costs were far too conservative and actual costs would therefore be even higher—and substantially so.

In addition, officials are far from convinced that the quango—being a strategic planning advisory body for London, bodies to run London's debt and highly complex superannuation fund—and the joint boards, all of which can levy their own rate precepts, will be cheaper for the ratepayers in the end than the present system.

An additional fear is that this further move towards central control of the minutiae of local budgets could be paving the way for some future wholesale takeover of one or more functions by Westminster. No functions are to be abolished, and all will still have to be paid for. The core of

officials' objection is that more rate precepts seen without the direct threat of ballot box consequences, however weak that threat might already be, does not augur well for a long-term reduction in costs. There are also fears that reorganisation, particularly in London, will be an administrative nightmare. The Government remains unconvinced. The GLC current expenditure is about £1bn and its total budget about £2bn. The combined metropolitan counties current spending is about £1.5bn. This spending is about £195 per head per year in the GLC area and £142 in the metropolitan counties. Ministers think it inconceivable that these very large sums cannot be reduced, even though much of the costs involve fulfilling statutory obligations—the largest exception being the heavy level of subsidy allocated to public transport.

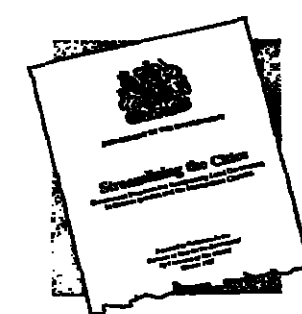
But beneath the crude figures there are some more sophisticated difficulties which might mean ratepayers and districts suffering a harsher financial impact from abolition than they expect, in addition to the loss of an authority which can benefit from economies of scale and provide cross-boundary services—such as the Tyne and Wear Metro which covers four of the five districts in the county.

The county councils, and most particularly the GLC, have an in-built redistributive financial role in their areas. The cost of the West Yorkshire county precept, for example, is £39.24 per head to the population of the district of Calderdale, against an average of £46.83 for the county as a whole.

This will be lost under reorganisation and other additional costs will become inevitable: it has been estimated, for example, that the extra costs falling on Calderdale when it has to take on the county's duties on consumer protection will be around an extra £360,000 a year.

In London the effects of the loss of the equalising mechanism of the GLC's rate precepts are even greater and the Government has acknowledged that the current Inner London Equalisation Scheme which redistributes some of the wealth of the City of London and Westminster to other inner London boroughs will have to be developed and extended to outer London boroughs if major financial chaos is to be avoided.

It is this equalising function which has saved the Inner London Education Authority, the abolition of which has been on the cards since Mrs Thatcher, as Education Secretary, in 1974 discovered it had a virtually permanent Labour majority and a rate precept which could not be challenged. Its financial equalising function has saved it and makes its future abolition inconceivable unless the entire structure and financing of local government is first overhauled.



#### What the White Paper proposes

THE MAIN points of the White Paper include:

- Abolition of the Greater London Council, Greater Manchester, Merseyside, South Yorkshire, Tyne and Wear, West Midlands and West Yorkshire councils in April 1986.
- "Shadow" bodies and joint boards to rule from April 1986 until the legislation giving them authority takes effect in April 1986.
- Joint local authority boards, not directly elected, for police, fire and public transport including airports.
- Central government control of budgets and rate precepts for at least three years.
- Central government control of staff numbers.
- Inner London Education Authority to remain, no members being directly elected.
- Staff Commission to deal with transfer of jobs and redundancies.
- New body to administer GLC debt and superannuation fund.
- New body to advise Government on strategic planning in London.
- London boroughs and metropolitan districts to take over highways and traffic management, waste regulation and disposal, residual GLC housing function, trading standards, support for the arts and sport.
- Thames Water Authority to take over Thames Flood Barrier.
- Certain arts sponsorship will be taken over by the trustees of national museums and galleries.
- Smallholdings estates to be transferred to appropriate shire county councils.
- MCCs interest in airports to be transferred to new public transport joint boards.

## Patrick Jenkin, Secretary of State for the Environment, outlines the case for abolition 'Time to end this wasteful bureaucracy'

THE GOVERNMENT are committed to improving the quality of life in all sectors of our society. A major element in our strategy is a determined attack on the "national overhead." This means looking critically at the roles and structures of public sector bodies like the Civil Service, the National Health Service, the National Health Service, and local government.

In the late 60s and early 70s we learned to live beyond our means. Now we face the need for a new realism, which calls in question some of the institutional changes made over the last 20 years.

In our first term of office, we took a series of measures designed to reduce the share of resources consumed by the public sector, including local government. Many local authorities now recognise the need to contain expenditure and to reduce manpower. But some problems remain, and we have spent out our proposals for dealing with those in our rates White Paper.

Experience in our first term of office convinced us that, in Greater London and the metropolitan counties, the existing local government structure involves unnecessary bureaucracy. There is a superfluous tier of government; and we decided to remove this by abolishing the Greater London Council and the metropolitan county councils.

The time-honoured way to proceed would have been to set up an inquiry. That has been the favourite course for governments—of both parties—over the last 20 years. But an inquiry simply means putting off necessary decisions and action; and there is no case for that when

the right course of action is already clear. In the case of the metropolitan areas already the junior partners in the provision of services. They are responsible for no more than one-quarter (in London one-sixth) of the spending on local services in these areas.

In many of the minor services, both tiers already have overlapping responsibilities. It is not the boroughs and districts cannot do themselves, directly or indirectly. There is, in short, not a sufficient executive role to justify a separate directly-elected upper-tier council.

The contrast with the shire counties is striking. There, the upper-tier authority is more powerful, not only because it is larger, but because it is responsible for the provision of most services. The county councils therefore have a real role. So do the district councils which provide important services, in particular in housing. Although there are some inevitable tensions, the system in the shire counties works well, and we see no case for change there.

#### Conflicts with district authorities

In the metropolitan areas we see large councils, each with 100 or so councillors, with few real operational functions. It is, perhaps, not surprising that some of these councillors have sought an outlet for their energies in developing a so-called strategic role. This has proved to be a recipe for conflict and duplication. There is conflict with the lower-tier authorities, who find

that the upper-tier wants a greater role in the services which are shared. In attempting to implement a strategic view, the upper-tier impinges on the operational responsibilities of the lower-tier.

The pursuit of the strategic role has also brought these authorities into conflict with central government. They have assumed a local mandate to speak on such issues as the national economy and even defence policy. Some of them have begun to behave as if there were states in a federal system. In this they have gone well beyond the traditional view of what local government is about.

Of course, some of the conflicts with central government have been political in a party sense. But that is not the real issue. Neither party political conflict nor the sometimes bizarre spending activities of the GLC would have led the Government to propose structural change unless it had been obvious that these activities were symptoms of a more significant underlying problem—the lack of a real role.

Local government reform is one of those many subjects on which there is complete agreement, that something must be done, but no agreement on what precisely it should be. Our political opponents favour a simpler and less confusing structure, and they too would achieve this by abolishing one of the tiers. They have been quick to criticise our proposals; they have not begun to spell out how they would achieve their objectives.

The major attack on our proposals has, of course, come from those whose interests are directly affected. That is not surprising. We find it difficult to face change. But resistance to change, and the natural defensiveness of our institutions, are problems which the Government must tackle if economic performance is to be improved.

#### Boroughs to unite for some services

Naturally, those who have tried to make a success of running these authorities have a right to be heard. It is the role of local politicians to speak for their authorities. I hope, however, that, despite disturbing signs to the contrary, the officers of these authorities will leave the political debate to their members, and not enter the fray themselves.

Clearly, we are not proposing a simplistic unitary system, with one authority directly providing every local service. That is an unrealistic objective. For a few services, the organisational arrangements must go wider than the individual borough or district. Combined police authorities, covering two or more counties, already work well in a number of areas; and this is the model that we propose to follow for both police and fire services—and also for education in inner London. Similarly for public transport, where we propose to turn to the system of Passenger Transport Authorities which existed in 1968-74.

There is nothing very novel and nothing very complex in authorities coming together to

run a service jointly—either on a statutory basis or through a statutory joint board. None of the operational bodies which we propose to set up is a quango—that is, a body appointed by ministers. The joint boards will consist of elected members, appointed by their own councils, and answerable to them for the way the service is run.

The joint boards will not, as has been suggested, be issuing separate rate demands. Their precepts will be separately identified in the single bill which will be sent, as now, by the borough and district councils. Ratepayers will be able to see clearly how much each joint board is costing them; but they will not be faced with a series of separate bills.

Although the councillors who serve on the joint boards will be answerable to the electorate for the expenditure, I believe that the ratepayer deserves reassurance that the potential savings available from this reorganisation are not lost because new bodies are set up in an extravagant way. For that reason, we propose to take powers to exercise control over joint boards during their first three years. In that way we shall ensure that they make an economical start.

Arrangements will be made for the outstanding liabilities of the authorities concerned to be taken on and managed in a secure, coherent, and efficient way. Existing debts will be serviced by the successor bodies who will continue to have access to the rate-base. It is an alarmist to suggest that abolition raises problems here. Similarly, the rights of existing

pensioners will be fully protected.

Change is needed in Greater London and the metropolitan counties. There already exists a tier of authorities, the borough and district councils, who provide most local services. They can become directly responsible for virtually all local services; and they can come together, in the joint boards, to run the few services where wider arrangements are needed.

The borough and district councillors will be the people to whom ratepayers and electors can turn first in respect of all their local services. It will be for them to balance the competing calls of all these services on the ratepayers.

#### Eliminating a source of conflict

The abolition of the GLC and the MCCs will eliminate the overheads of a whole tier of local government; it will also eliminate a source of conflict and overlap. The results will be more economical and effective local government.

Our White Paper and the associated consultation documents spell out the means of achieving this. On the principle of abolition, we stand firm. There are, however, many details on which we are ready and anxious to listen to views. We have allowed ample time for consultation, with legislation in the next session of Parliament. But we are determined that, on April 1, 1986, we should achieve this major improvement in local government in London and our six great metropolitan areas.



Mr Jenkin: "The right course of action is clear... we stand firm on abolition"



## METROPOLITAN COUNTIES II

Costs are high but rates burden may rise under the new system

## Is this the right solution?

## The record

ROBIN PAULEY

THE LAST Conservative re-organisation of local government, in which Mr Peter Walker created the metropolitan counties, took nearly a decade to consider and implement. They say they got it wrong. The current attempt to put it right through a straightforward abolition of the counties is to be attempted in under two years.

The Government's new case for abolition is that the metropolitan counties now constitute an unnecessary, expensive and wasteful tier of local government, doing very little with very many bureaucrats and at great cost to the ratepayer.

The record shows that the metropolitan counties have indeed spent large sums of money when they have been both Conservative and Labour controlled but in spite of unrealistic targets from central government the budgets for the six metropolitan counties for 1983-84 are only 6.5 per cent over target, largely because of public transport subsidies which have proved popular with local electorates but expensive for local ratepayers.

Nevertheless, the Government has long regarded them as a profligate and the objections were summed up concisely by the Confederation of British Industry during one of its regular campaigns against local government and rates. In its submission to the Government the CBI noted that:

Between 1978-79 and 1982-83 metropolitan counties increased their rate and grant borne expenditure by 82.5 per cent compared with 62.3 per cent in the metropolitan districts and 67.4 per cent in the London boroughs.

In 1982-83 metropolitan counties budgeted to overspend Government targets by 13.9 per cent (£136m) compared with 3 per cent (£117m) for metropolitan districts, and 5.2 per cent (£128m) for London boroughs. (The CBI analysis however ignores the arbitrary system used to create targets which produce unrealistic and unattainable goals for some authorities, notably the GLC; the metropolitan counties

control of manpower has been worse than average (and manpower costs eat up some 60 per cent of total local authority current expenditure on average). Apart from Merseyside, which consistently refuses to provide data, full-time manpower in the metropolitan counties (excluding law and order) grew by about 2 per cent between December 1978 and September 1982 compared with a 10 per cent decrease for England and Wales as a whole.

PRICE CHANGES  
(in percentages)

## 1974-1982

Telephone and telegraph	226.8
Electricity	314.3
Gas	223.5
Household disposable income	211.4
Water	248.8
RPI	196.3
Metropolitan counties precept (average)	120.1

Research by Jan Schilling, Editorial Research Desk.

The link between manpower levels and overall costs has provided one of the strongest arguments against the metropolitan counties and against Merseyside in particular which refuses to publish for its ratepayers the manpower figures. Its costs per capita of providing services — £133.60 in the 1981-82 estimates compared with an average for the metropolitan counties of £117.07 and a low of only £93.65 in West Midlands — suggests that its staffing levels are higher than the average of around 2.5 full-time employees per 1,000 population.

Nevertheless, all the other metropolitan counties have increased their staffs during the past year in spite of pleas from Government, commerce, industry, and ratepayer pressure groups for improved efficiency and more productivity from fewer staff as a way to cut significantly the pressure on the rate without damaging services. Between June 1982 and June 1983 Greater Manchester took on 204 extra full-time employees, an increase of 3.5 per cent, to a total of 5,954. South Yorkshire's staff rose by 127, or 2.9 per cent, to 4,577; Tyne and Wear rose 32, or 1 per cent, to 3,144; West Mid-

land's rose 92, or 1.8 per cent, to 5,210; and West Yorkshire's rose 115, or 1.8 per cent, to 6,358. All except West Yorkshire, and Tyne and Wear also increased their part-time staffs.

However, the metropolitan counties appear in a better light when the services provided by their 30,000 or so employees are considered.

Mr Walker rejected the recommendation of the Redcliffe-Maud Royal Commission that metropolitan counties should be education authorities and, therefore rating authorities. The services they were allocated were highways, transport, police, fire, administration of justice, planning and development, refuse disposal, leisure and recreation, trading standards and consumer protection.

Of these local transport is the most expensive and controversial, accounting for more than 40 per cent of revenue expenditure and around two-thirds of all capital expenditure. Although this high level of spending on public transport and its impact on ratepayers has been one of the Government's main objections to the metropolitan counties it has produced projects which have attracted world-wide attention and admiration. South Yorkshire's cheap fares policy, for example, is a model of transport economics in action and has produced a sophisticated and intensively used bus system to the benefit of the entire community including commerce and industry, which also benefits from the clear road system. Tyne and Wear, after much difficulty, has a Metro system which is studied the world over, its only drawback being the absence of key links such as the stretch to Newcastle Airport.

Police services account for around 36 per cent of expenditure, increases being at the instigation of central government. Fire takes about 8 or 9 per cent.

These three services therefore account for around 85 per cent of all met county expenditure. They have done since their creation although some of the authorities have switched political control since 1974.

None of these services can be passed down to the district so all will be operated in future by either joint local authority boards or quangos under central government control. The

Government has not indicated that any of the structures of these services will be reduced nor how it expects costs to be saved, except by substantial increases in bus fares.

Apart from bus fares and rising manpower levels there is no statistical evidence to show undue extravagance in year-on-year expenditure changes once the arbitrary inconsistencies within the government's current system of grant allocation are discounted.

As abolition will involve costs calculated by West Yorkshire County Council for its authority alone of £8.1m annually plus one-off associated costs of between £20m and £30m there is a strong chance of a higher rate burden, at least in

the first years—a fact recognised by the Government which has announced its intention to control the budgets of the new authorities for at least the first three years.

On balance, therefore, the financial record of the metropolitan counties in real terms does not support the case for their abolition. When abolitionists and some of the metropolitan districts keen for more power talk of the metropolitan counties not having much to do except issue a stream of tedious memorandums to the lower tier and attempt strategic planning without strategic powers, they are referring to the marginal activities, not the most important and most expensive.

The political case against the

## Cocking a snook at Westminster

## The GLC

ROBIN PAULEY

THE GOVERNMENT clearly does not agree with Johnson's comment in a letter to Boswell: "When a man is tired of London he is tired of life." This Government is very tired of London, or at least its administration in the shape of the Greater London Council and is to do away with it in April 1986.

It has always been a political fact of life that central governments are tired of London's own local government. Soon after the old London County Council was established the Conservatives, attacking its Socialist experiments, attempted to undermine its power by creating inner London borough councils beneath it. Nevertheless, the London County Council, persistently Labour controlled, cocked a powerful snook at Westminster across the Thames for decades after decade.

Although current Conservative ministers refer to Herbert Morrison as the sort of Labour leader who truly had London's interests at heart, as opposed to today's leadership which is regarded as irresponsible, spendthrift and politically

opportunistic. Morrison suffered exactly the same taunts from the Tories in the 1930s as Ken Livingstone does today. Extravagant spending, disregard for the ratepayers and calls for abolition have come and gone during the last century with remarkably little difference in the style of rhetoric employed.

## Political control

The Conservatives changed tack against the Labour LCC in the early 1960s and instead of abolishing it they enlarged it to cover the outer London boroughs as well. This meant the Conservatives would control most of the London boroughs which were accordingly given more powers, and had a good chance of controlling the new Greater London Council, established in 1963, most of the time.

It is this emphasis on political control before rational structure, financing and distribution of functions, which has caused so many of the problems with London's administration today. The GLC, far from being able fully to operate as a strategic authority for the 6m people of London, found itself caught between the boroughs and the Government, both of which possessed too many of the powers which any London-wide authority would need, particularly in planning.

The new element was the election in 1981 of an aggressive left-wing Labour administration,

THE GLC AND METROPOLITAN COUNTIES									
	Political control	Population	Total debt £m	1983-84 rate precept (p)	Total rate and grant-borne expenditure £m	Target rate £m	Full-time employees (1981 law and order)	Unemployment rate August 1983 %	
Tyne and Wear	Labour	1,143,245	182	54.5	187	135	3,144	16.5	
Merseyside	Labour	1,513,070	150	53.4	256	182	+	18.4	
Greater Manchester	Labour	2,594,778	168	46.0	249	234	5,954	14.2	
West Yorkshire	Labour	2,637,510	175	45.7	268	187	6,358	12.6	
South Yorkshire	Labour	1,301,813	69	75.8	211	159	4,577	15.2	
West Midlands	Labour	2,644,634	149	43.6	321	226	5,210	16.0	
GLC	Labour	8,776,000	2,480	37.7	582	586	20,796	9.6	

† Not disclosed.

counties is stronger, however.

The metropolitan counties have never been able to conquer the feeling of remoteness from the communities in their areas and there has been a good deal of conflict, particularly over planning matters and supplementary rates to subsidise fare cuts, between the counties and the districts. The fact that GLC and met counties, covering 25 per cent of the population are all under Labour control, is also a

perfect recipe for confrontation against a Conservative Government.

The Conservatives could legitimately have argued from a political standpoint that they were reducing a tier of government, improving the lines of accountability between the payers and providers of local services and freeing, as they see it, large numbers of Tory voters from the import of municipal socialism.

But this would have needed to go hand in hand with improved democracy rather than a string of bodies and boards which are not to be directly elected. The record of the metropolitan counties, while attracting widespread and sometimes justified criticism, does not appear to warrant the changes for political reasons unless they are to be part of a full reform of local government, structure and finance.

socialism.

and rates after 10 years of promising to "do something," Mrs Thatcher insisted that two previously abandoned ideas be written in: abolition of the GLC and metropolitan counties and an idea, first mooted by Mr Leon Brittan, now Home Secretary, to impose limits on rate rises of high-spending councils.

So the manifesto said: "The metropolitan counties and the Greater London Council have been shown to be a wasteful and unnecessary tier of government."

The recent White Paper, "Streamlining the Cities," backs this up by saying the GLC current expenditure rose by 185 per cent in cash terms between 1978-79 and 1983-84, that expenditure growth in volume terms rose by 50 per cent and in cost terms—that is, after allowing for inflation—by 65 per cent. Between 1981-82 and April 1983 the GLC rate precept increased 118 per cent compared with an average 20 per cent in England and an increase in the retail price index of about 14 per cent over the same period.

In the rush to compile a manifesto always to bear in mind that abolition of the GLC does not imply abolition of any of its functions, all of which will still have to be paid for. They are to be provided by a mix of joint boards and quangos, none of which will be directly accountable to the ratepayers but all of which will be able to levy a rate precept on them.

The Government has so far declined to show how it thinks savings to the ratepayers will be achieved and there is very little external work on the subject.

One GLC Conservative, Mr Michael Wheeler, has prepared a document, however, which predicts higher rates for virtually all services. He estimates that abolition will mean a minimum rate increase of around 12p in the pound for an outer London borough like Bromley and 17p for a thrifty Conservative inner London borough such as Wandsworth.

One of the difficulties facing the GLC, and local government in general, is the problem of communicating the real perspective of spending implications as opposed to the perceived. The same applies to the differences in sums spent on various activities which might have a high political impact but low cost.

The current administration at county hall has, by all accounts, failed completely in this field which is why the general perception is that huge rate rises have been caused by expenditure on trips to Northern Ireland, support for minority ethnic and sexual preference groups, black balloons for Royal Wedding Day and the like.

In fact, all expenditure on arts, ethnic minorities, sports,

CONTINUED ON NEXT PAGE

## A vehicle for Metropolitan Government

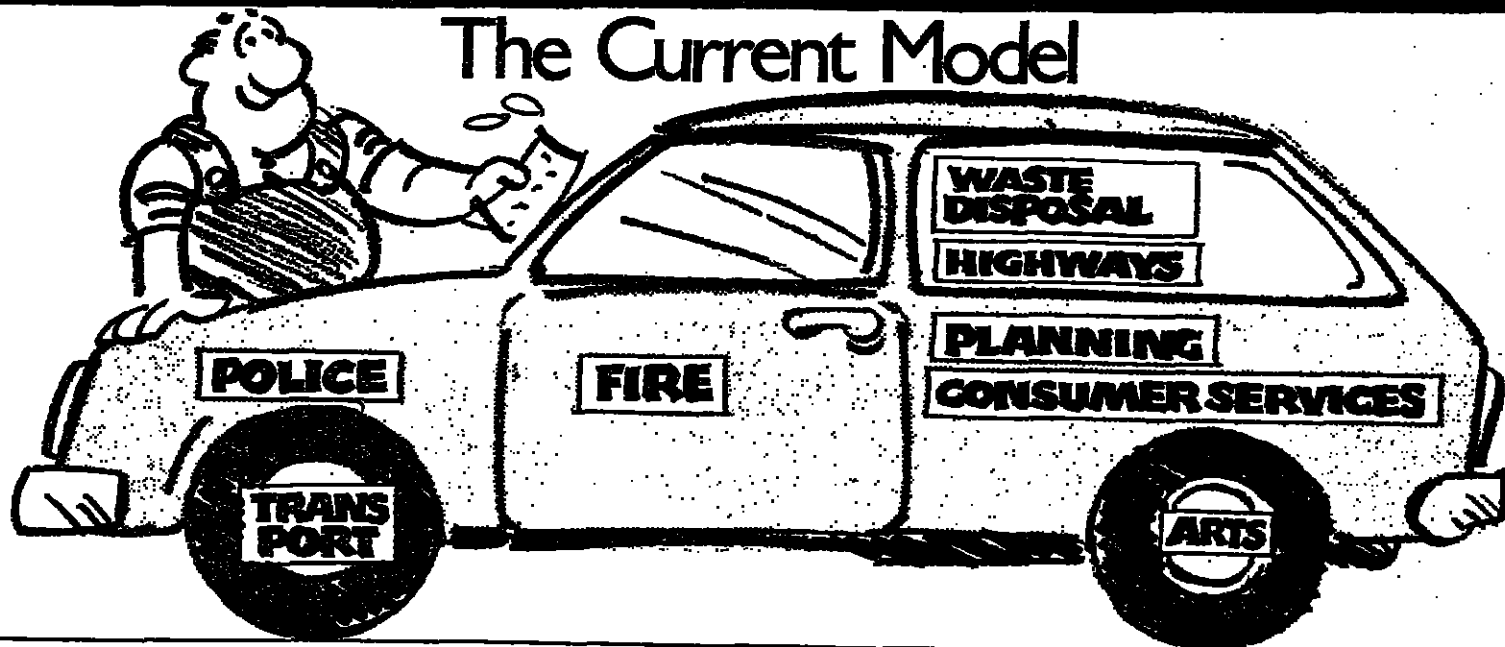
	CURRENT MODEL	GOVERNMENT REPLACEMENT
PURCHASE PRICE	None — already paid.	Not available.
RUNNING COSTS	Low — Cost & Performance figures circulated annually to all customers.	Not available.
BODYWORK	Strong proven design.	Kit construction, still at design stage.
ENGINE	Efficient, economy-tuned version.	Several separate drive-units — multiple carburetors.
SUSPENSION	Independent — responds to local conditions.	Set for Whitehall conditions.
WARRANTY	Operates through responsive customer representatives.	None offered by designers — few customer representatives.
AVAILABILITY	Immediate — operating now.	Interim design promised 1985. Revised design promised 1986. Modifications anticipated 1986 onwards.
VERDICT	No reason to change. Runs well — will last for years.	Don't buy a pig in a poke.

BEST BUY

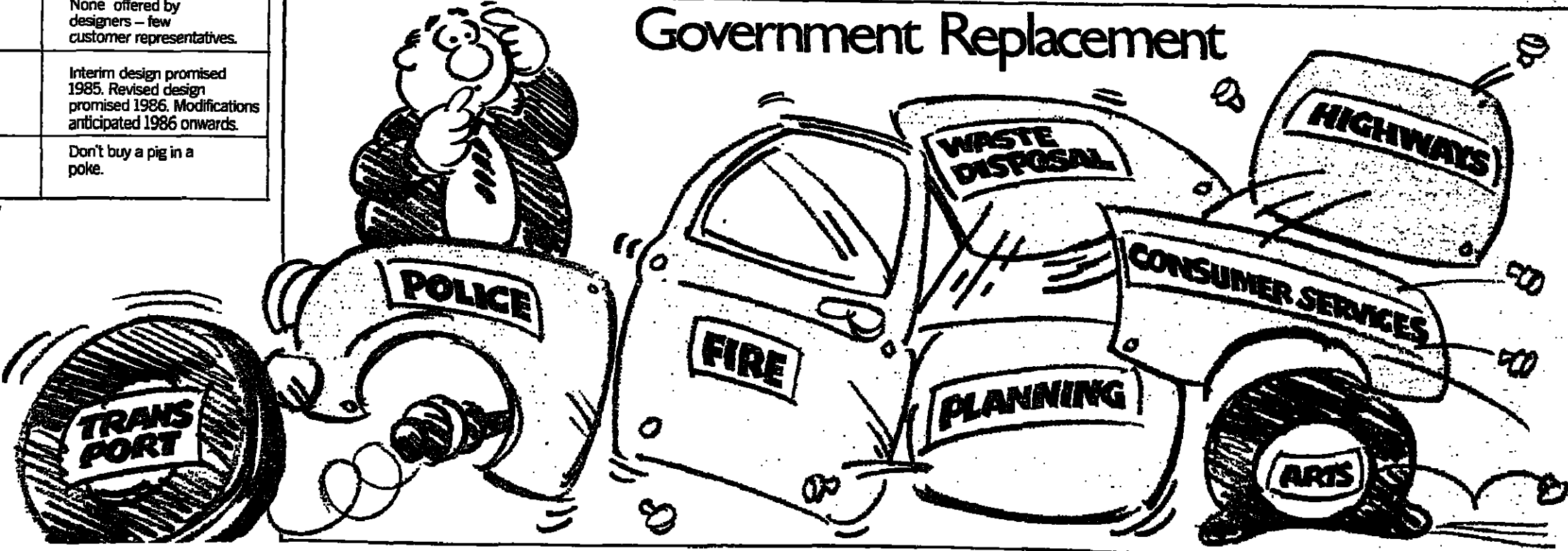
**Tyne and Wear**  
County Council

Tyne & Wear County Council  
Sandyford House, Archbold Terrace  
Newcastle upon Tyne NE2 1ED.

## The Current Model



## Government Replacement





## METROPOLITAN COUNTIES III

Ken Livingstone, leader of the GLC, argues the case for retaining the council

### 'Spare us the dead hand of the centre'

IT IS in some ways tempting to share the view of the popular press of the Government plans to abolish the GLC—that is, it is some personal attack, motivated by dislike of my own political opinions. After all, the recently published White Paper, Streamlining the Cities, offers no other reason.

The personal approach, however, is not only wrong, but perhaps also deliberately misleading. Misleading in that it distracts from the real issues. Deliberately, because Government is clearly unwilling to allow these real issues to be publicly understood.

The press release attached to the White Paper declared the Government's intentions. The Secretary of State for the Environment, Mr Patrick Jenkin, wishes to provide "more effective... more economical local government", a system that would "remove... duplication and conflict," that would be "simpler to understand."

Turning then to the White Paper one may be led to expect an analysis of the GLC's services and of the costs of providing them, examples perhaps of duplication and conflict and evidence that the system was grossly misunderstood and a presentation of a new system, cheaper in providing services

and more amenable to understanding.

Any such expectation is soon dashed. The White Paper does none of these things. In its superficiality it reveals its author's contempt of local government. Embarrassed by the failure to introduce radical reform of the rating system, the Government has seized on abolition to distract attention from this climbdown.

**Reform is always possible and both main parties at the GLC have called for major changes in the council's role?**

The key to any sensible reorganisation should be the examination of each function to identify how best the public can be served. Reform is always possible, and both main parties at the GLC have called for major changes in the council's role.

It is the GLC's contention, however, that the case for abolition must be proved by its proposers. The debate is not about bringing the GLC into being. It is about getting rid of a large public institution. The risk of confusion and disruption is such, and the history of previous reorganisations is

such, that the Government should be able to show clearly the advantages of its plans. It presents no such balance-sheet.

It is worth considering the origins of the GLC, its "reason for being." The London County Council was created in 1889 by a Tory Government concerned about the confusion, duplication and conflict inherent in a plethora of joint boards and quangos.

The Government soon regretted its actions, but for political rather than administrative reasons. The Prime Minister, Lord Salisbury, and the right-wing Press of the day were outraged by the "socialistic" policies of the LCC Liberals and used much the same language as we have become accustomed to at the GLC since 1981.

By the late 1950s central government was again concerned at the lack of co-ordination over what was then a very large metropolitan area.

They were also concerned by the failure of the Tory Party ever to win the LCC. Harold Macmillan appointed a Royal Commission which contemplated for three years before reporting. The Commission was unanimous in its main finding; that London as a single city needed an upper-tier authority

to co-ordinate those local government functions that embraced the whole area. The Government accepted the findings, published a White Paper, and Sir Keith Joseph piloted the subsequent bill through its Commons stages to be law by 1963. The LCC was abolished and the GLC created.

In 1969 the Government accepted that London Transport should also be placed under GLC control. The Opposition spokesman was the member for Finchley, Mrs Margaret Thatcher. She did not oppose the main proposals and she particularly supported the idea that fares subsidy should be placed under the control of the democratic process. Incidentally it was the Heath Government that introduced a new faith in appointed quangos. Both water and ambulance services were hived off. In each case costs have since risen well ahead of inflation.

The reasons for metropolitan-wide authorities remain as true today as 20 years ago.

London-wide priorities must be balanced against local needs;

London-wide resources are needed; local resources are not sufficient;

Some services just cannot be handled locally and remain efficient and effective;

Londoners should have the right to vote for the provision of services identified as London-wide.

The GLC's services are essential to London—no one seriously believes that spending on public transport, roads, housing, fire-fighting, flood prevention and so on will end. Yet misconceptions abound.

**The boroughs will gain costly responsibilities but the means to fund them will be entirely in the Government's hand?**

On September 16 the DTI published a letter from the CBI calling for abolition to lift a charge of £770m off the rates. The truth of GLC spending is that the vast bulk is fixed or non-contentious. Some £375m will be spent this year in servicing debt. Staff costs account for only 16 per cent of total GLC spending. Of these staff, one-third are fire-fighters. The spending therefore will continue after abolition of the institution. The question is only whether the new system would be better than the present.

The principal feature of the proposed new system is that it will be highly centralised in the hands of Government, despite the claim that most services will go to the boroughs.

The Government's most important lever in this is through the manipulation of grant aid mechanisms. The GLC currently raises £770m to spend on London services. The table shows what happens when £100m of spending is passed to the boroughs. For the few, rates fall. But for 87 per cent of London's population, rates rise. Government proposes to juggle with Block Grant to prevent windfall gains and losses.

But it is Government who will make the rules and pull the strings. The boroughs will gain costly responsibilities but the means to fund them will be entirely in Government's hands.

The controls go further. For three years after 1986 the new joint boards will have their budgets set and their staffing fixed by government. The activities passed to the boroughs will also be held in the same straitjacket.

The dead hand of the centre will fall on detailed pro-

grammes. The Department of the Environment will have increased planning powers and the Secretary of State will set up an advisory, unelected, planning quango for London. The Department of Transport will take control over 70 miles of London's primary road network, and will take powers to supervise the highway and traffic management duties being given to the boroughs. The urban motorway proposals crushed at the GLC ballot box in 1973 will be back with a vengeance.

The GLC's huge waste disposal operations will be split up, ostensibly to the boroughs, but again the DoE will retain powers to compel administration of the service to their standards.

Some of the major arts and sports centres—the South Bank and the National Sports Centre at Crystal Palace among them—will also be transferred to government or quangos.

So "efficiency" savings are unlikely, and costs will anyway rise with start-up expenses, redundancy payments, unemployment benefit and so on. Meanwhile all power is taken by a government that currently believes that the GLC spends £300m too much.

This is the kernel of the Government's plans. Abolition is all of a piece with cuts elsewhere in the public sector and with privatisation. It is a part of a general strategy, not a reflex reaction to personalities.

For example, there will be a new fire quango, totally controlled by Government and so, presumably, constrained to achieve the cut of 20 per cent that Government wants the GLC to achieve. This would require 1,400 redundancies and reductions in the number of fire appliances.

On waste disposal the proposal is worse. The Government suggests that there should be 32 mini-disposal operations to replace today's single, highly efficient system. Administrative costs are bound to rise, while Government's largest expenditure level for this service requires a 30 per cent cut.

Break-up, "quangosation" and the removal of democratic controls are devices to achieve major service cuts regardless of the wishes of Londoners, and regardless of the administrative expense and the confusion of the new system.



Mr Livingstone: "the case for abolition should be proved by its proposers"

## The GLC and Westminster

CONTINUED FROM PREVIOUS PAGE

women, and other "fringe" activities and promotions in the form of new grant during 1982-1983 was around £5m or less than 0.5 per cent of gross revenue expenditure.

The other perception about the GLC is of a vast bureaucracy doing very little, a view heightened by the fact that it has very bureaucratic attitudes and does not appear to be doing very much. However an analysis by the GLC Comptroller of Finance, Mr Maurice Stonefoot, shows that only 71 per cent of the 21,169 full-time equivalent employees on March 31 1983 were "administrative and managerial" and their costs represent only between 1 per

cent and 2 per cent of total cost.

On average staff salaries and costs account for about 60 per cent of revenue costs in local government but at the GLC they account for only 16.5 per cent of this expenditure. More than 50 per cent of total GLC employee costs go on firemen and employees in public health and safety.

There is also a very complicated picture about taxation changes which masks the real figures about which expenditure has increased by what amount.

Between 1978-79 and 1983-84 central government receipts rose by 95 per cent—principally taxes on income up 86 per cent, taxes on expenditure up 103 per cent, total taxation up 94 per cent, national insurance etc, up 107 per cent. In the same period local authority rates

grew by 125 per cent.

But in that period the Government cut its grant to local authorities in each successive year, distorting the perception of responsibility for increases in public spending and taxation. So central government's real spending rose 101 per cent in the period but was perceived (as taxation) to be up only 94 per cent. Local government real spending was up 80 per cent but perceived (as rates) to be up 125 per cent.

If the Government had not cut grant and subsidies to councils by some £3.6bn over the period income tax would have had to rise by about 4p in the pound, bringing income tax increases to 102 per cent in line with the Government's real spending increase.

During this period GLC spending rose by 88 per cent,

much less than the Government's and the grant distribution system meant that London ratepayers bore a disproportionate brunt of the £3.6bn grant loss—so much so, in fact, that during the past two years the grant-switching mechanism coupled with unrealistic expenditure targets, have meant that the GLC and its expensive education committee, the Inner London Education Authority, have received no grant at all.

The creation of a series of joint boards plus quangos to administer strategic planning and run London's £2bn debt and £700m pension fund will not alter any of these facts. The abolition of the GLC does not represent a change of services to be provided or a fundamental restructuring of local government in the capital. The overall financial implications therefore remain.

### Possible financial effects of transferring services from the GLC to London Boroughs (Change from rateable value to population basis)

Effect of Transferring £100m of Expenditure					
	Percentage change in domestic rate	Annual change in average rate bill £		Percentage change in domestic rate	Annual change in average rate bill £
City of London	-4.3	-26.47	Brent	+1.0	+6.23
Camden	-1.4	9.57	Bromley	+2.8	+10.43
Greenwich	+2.4	+10.97	Croydon	+1.6	+5.33
Hackney	+1.1	+5.48	Ealing	+1.8	+6.32
Hammersmith & Fulham	0.5	+2.06	Enfield	+2.0	+7.29
Islington	-0.1	-0.57	Haringey	+1.4	+5.51
Kensington & Chelsea	-1.5	-10.74	Harrow	+2.05	+8.76
Lambeth	+0.7	+3.44	Havering	+3.0	+11.36
Lewisham	+0.7	+3.44	Hillingdon	+0.5	+1.82
Southwark	+0.2	+1.21	Hounslow	+0.7	+2.66
Tower Hamlets	-0.2	-1.13	Kingston upon Thames	+1.7	+6.12
Wandsworth	+3.1	+10.24	Merton	+2.1	+8.25
Westminster, City of	-3.3	-22.48	Newham	+2.1	+8.40
Barking and Dagenham	+2.2	+6.53	Redbridge	+3.3	+11.59
Barnet	+1.6	+7.90	Richmond upon Thames	+1.8	+7.29
Bexley	+3.6	+12.04	Sutton	+2.65	+9.45
			Waltham Forest	+2.3	+12.96



## Downing Street—a million miles from Merseyside

In 1974, after many years of detailed study, including a Royal Commission, the Conservative Government set up the Metropolitan Counties—a system that has since been copied worldwide as a model for metropolitan government.

All the findings indicated that Central Government was, and would always be, remote from the needs of such complex and densely populated conurbations as, for example, Merseyside.

And, as far as Merseyside is concerned,

that's even more true today.

All of Merseyside's strategic services are being provided efficiently and economically through Merseyside County Council—a body elected by Merseysiders. Every policeman, every fire-fighter, every bus and every commuter train.

Every picture in the art galleries, every exhibit in the museums, every performance at the Empire Theatre...and concerts by the Royal Liverpool Philharmonic Orchestra...all these are funded by the County Council.

And it doesn't end there.

Merseyside County Council is ideally placed to understand and respond to the special needs of the area.

In the past five years thousands of new jobs have been stimulated by Merseyside County Council's Economic Development Office, due to a range of unique schemes set up to help the unemployed and encourage the creation and expansion of new business on Merseyside.

Liverpool International Airport is being

extended into one of the most efficient in Europe and bus and train fares have been lowered twice in just two years, leading to a substantial increase in fare-paying passengers—a fact unique to Merseyside.

All these initiatives have taken place because of Merseyside County Council.

And all on less than a third of Merseysiders' rates.

The reason for Merseyside County Council's success is obvious.

As a controlling body it is local enough to

serve the special needs of the area; yet large enough to plan and spend efficiently and effectively.

All in all, Merseyside County Council provides democratically accountable local government which is working well on Merseyside.

**"AN UNNECESSARY TIER OF LOCAL GOVERNMENT"? THAT'S NOT HOW IT IS HERE.**

**MERSEYSIDE COUNTY COUNCIL—JUST RIGHT FOR MERSEYSIDE**



## METROPOLITAN COUNTIES IV

## Leaving a legacy to the region

## Tyne and Wear

RHYS DAVID

IF THE metropolitan county of Tyne and Wear is abolished it will nevertheless leave behind a very visible monument, spread over a large part of the county as well as under it.

Though conceived long before the 1974 re-organisation of local government, the Tyne and Wear Metro was quickly seized upon by the new county authority as a powerful symbol for the region, and well worth fighting to preserve from the axe which the then government—under pressure from the DMF to make savings—wished to wield.

Here was a project which could help to bind the new county together, and create a sense of identity, which would generate news about, and interest in, the region, and in British transport engineering, and which, by projecting a go-ahead image, could assist in attracting new jobs.

Opened some two years ago, the project, Britain's only urban rail system this century, remains one of which the Tyne-side community is enormously proud.

## Answerable

The Metro, according to Jim Gardner, Tyne and Wear's chief executive, is the best thing the county has done, and transport, in general, an ideal illustration of the sort of service which is best provided by a county-wide authority directly answerable to the local electorate.

Economic development is another area where the county feels it has been able to play an essential co-ordinating role, eliminating some of the competition which would otherwise have taken place between the lower tier local authorities in the area. Thus, in the struggle to win the "will they won't they" Nissan project, Tyne and Wear pooled the efforts of the county as a whole, and was able to put forward a single submission offering an 800-acre site, formerly the Sunderland airport.

One of the first actions of the new county after its inception was to pilot through Parliament its own legislation, the Tyne and Wear Act, which has given it the power to provide a range of assistance to stimulate eco-

nomic development. Under the legislation—which various other local authorities throughout the country have copied—the county has at one end of the scale provided the extra incentives which have encouraged major new employers such as Findus Foods to locate in the area. At the other end of the scale, it has set up a number of bodies aimed specifically at encouraging the growth of small business.

These, and similar activities aimed at improving the local environment, are, according to Jim Gardner, all examples of the county tier making valid use of its powers and resources to bring benefits to the region as a whole, a role which the various joint boards and other ad-hoc bodies now likely to take the place of the council will be difficult to fill.

"As an elected authority drawn from the area as a whole, the county can take an overall view when called upon to adjudicate between the claims of different parts of the region," Jim Gardner observes. Such impartiality is likely to be much more difficult for councillors delegated by their areas to serve on joint committees, and the result could be a thin spreading of resources over wide areas to satisfy all demands.

It could also prove more difficult, without the county tier to hold the ring, to avoid conflict between the districts over questions of land use or shopping provision. As the body responsible for the structure plan for the area, the county has been able to some extent to act as Solomon in deciding between rival claims—a role it has also played on the various urban renewal bodies operating across the area.

Equally important, however, as the county's supporters see it, is the threat posed by abolition to the voice of the North East as a whole, already downgraded to some extent by the removal of some government regional offices to Leeds. Tyne & Wear is currently the biggest of the county authorities in the North East, and, as such, has often found itself playing a leading role in the organisations which put the region's case. These include the North of England Development Council, re-organised recently and brought more firmly under the control of the North East County Councils Association, another body Tyne and Wear has been active in sponsoring.

The county has also played a big part in helping to keep alive the Northern Regional strategy. The Government, originally a partner in drawing up the strategy has since withdrawn—in the view of some North East politicians because successive updating was showing how little progress was being made.

The county has a certain amount of clout in talking to Government because it represents 1.1m people. Newcastle, on its own, only speaks for 280,000—a leading county official notes. The present Government, committed as it is to exercising tighter control over local authorities, will not find it unwelcome to have to deal with smaller and weaker authorities, it is argued in the North East.

The first casualties of the more narrowly local approach likely to be adopted by the districts could be those existing county-wide services which by their nature are concentrated in the heart of the conurbation, and in particular the arts, Jim Gardner argues. The county has helped the Royal Shakespeare Company make regular visits to Newcastle (as well as subsidising the Empire Theatre in Sunderland)—a marginal activity, maybe, but important nevertheless, the county believes, to the image of a civilised region which it seeks to project to potential incomers.

## Support

The question is whether the individual districts will all combine to give a similar level of support, and, if not, whether Newcastle on its own could shoulder these regional capital responsibilities. "In all sorts of ways the quality of life in the region is better than it would have been without the county," says Jim Gardner.

Yet, in spite of the case that can be made for its retention, the voices raised in support of the county, outside its own walls, are far from deafening. The local federation of old age pensioners is worried, but its main concern is the possible scaling down by some of the districts of concessionary fares on public transport.

The Tyne & Wear districts are actively looking forward to the possible winding-up of the county, and have, indeed, already met to consider how its functions might be assumed by themselves.

The Conservative group on the council is also supporting

Government plans for abolition. George Smith, the Conservative leader, argues that the authority—Labour-controlled since its inception—has, like the other metropolitan counties, invited its own execution by irresponsible behaviour, and in particular over-spending.

## Streamlined

It could, he claims, be run on much more streamlined lines, confining itself to broad strategic functions. Instead, George Smith argues, it has mushroomed, getting itself involved in activities, such as its support for local theatres and fringe arts events, and subsidies for local ports, where it has no business. He is also critical of what he sees as duplication and conflict with the districts and other bodies. "We are building advance factories, and so are the districts. We are trying to promote the region and so is the NEDC."

Tyne and Wear, according to George Smith, will not be missed. "In three or four years' time we will be wondering what it did," he says.

The Northern CBI too has campaigned for abolition, arguing that this would bring considerable relief to over-burdened ratepayers.

This lack of support is one reason for a weary acceptance of the inevitable now detectable at the county's headquarters in a modern block to the north of Newcastle city centre, though this is coupled with the feeling that the system which the Government plans to usher in could itself prove to be wasteful, costly, inefficient, undemocratic and too fragmented to look after the interests of and press the case for one of Britain's poorest regions.

Certainly, the small size of the districts on Tyne and Wear, ranging from 280,000 (Newcastle) to 160,000 (S. Tyneside) suggests they will be near the lower limit for viability as unitary authorities, and that a better system than that now proposed could, without too much difficulty, be thought up.

This could, for example, take the form of shire county status for Tyne and Wear—the local government system operating in the rest of England outside the metropolitan counties, covering conurbations such as Leicester, Nottingham and Bristol.

This, however, would mean increasing the powers of the

county at the expense of the districts, the reverse of what is now planned. The other alternative, if the Government is determined to establish unitary authorities, would be to create perhaps just two powerful authorities in the existing county area, one for Tyneside, based on Newcastle and Gateshead, and one for Wearside based on Sunderland.

The suspicion is that unless the Government is prepared to look at radical solutions of this sort when it prepares its legislation, another round of local government tinkering might be needed in another 10 years' time.

## Who does what in English local government

## GLC/LONDON BOROUGH

The local authorities in Greater London are the 32 borough councils, the Corporation of the City of London, and the GLC.

The Corporation of the City of London, and the London borough councils form the basic units and take care of the administrative duties catered for elsewhere in the UK by district councils (ie local matters). The GLC (in the same way as county councils) concerns itself only with those services which require unified administration.

Thus, the GLC is the authority for all principal roads in London (with the exception of trunk roads which are the responsibility of the Department of Transport). In Inner London education is the responsibility of the ILEA—a special independent committee of the GLC. In Outer London education is a function of the borough councils.

Housing is primarily the concern of the borough councils, but the GLC maintains a housing stock inherited from the London County Council which it replaced and has a strategic role in slum clearance, rehousing and overspill.

Consumer protection is a responsibility of the borough councils. The Metropolitan Police is responsible directly to the Home Office.

## METROPOLITAN COUNTIES AND DISTRICTS

Under the 1974 re-organisation six new "metropolitan counties" were set up to cater for large conurbations outside London. These are:

- Tyne and Wear, including Sunderland and Tyneside.
- West Midlands, including Birmingham, the Black Country and Coventry.
- Merseyside.
- Greater Manchester.
- West Yorkshire.
- South Yorkshire.

These six are further subdivided into 38 powerful metropolitan districts with populations generally in excess of 250,000.

## NON-METROPOLITAN (SHIRE) COUNTIES

These comprise the 47 county councils which are not part of Greater London or the six metropolitan counties. Three new counties were established where large-scale urban development cut across existing boundaries. These are: Avon, based on Bristol and Bath and the neighbouring areas of Gloucestershire and Somerset; Cleveland, centred on the former county borough of Teesside with Hartlepool and other parts of south east Durham and a small area of north east Yorkshire; Humberside, including Hull and much of the

## THE METROPOLITAN BOROUGH

	Population 1982 (E)	Rateable value
<b>GREATER MANCHESTER</b>		
Bolton	260,200	25,253,919
Bury	175,400	19,325,865
Manchester	468,600	75,407,630
Oldham	225,400	22,336,947
Rochdale	207,555	21,260,374
Salford	246,400	32,084,736
Stockport	290,000	34,855,100
Tameside	217,708	21,636,986
Trafford	221,085	35,983,347
Wigan	308,700	21,460,059
<b>MERSEYSIDE</b>		
Knowsley	172,991	21,999,296
Liverpool	305,722	71,477,566
St Helens	192,100	22,963,029
Sefton	299,200	36,657,723
Wirral	332,003	42,471,602
<b>SOUTH YORKSHIRE</b>		
Barnsley	223,903	19,269,575
Doncaster	289,000	29,632,718
Rotherham	282,600	23,124,161
Sheffield	548,000	66,422,711
<b>TYNE AND WEAR</b>		
Gateshead	211,652	21,577,791
Newcastle upon Tyne	289,900	42,145,715
North Tyneside	186,245	21,006,145
South Tyneside	166,181	15,874,722
Sunderland	368,280	27,863,673
<b>WEST MIDLANDS</b>		
Birmingham	1,006,527	164,370,162
Coventry	310,200	44,540,891
Dudley	296,406	42,638,670
Sandwell	206,993	48,994,721
Solihull	198,261	29,400,000
Walsall	266,900	39,685,470
Wolverhampton	262,460	42,596,982
<b>WEST YORKSHIRE</b>		
Bradford	459,000	44,350,272
Calderdale	190,330	16,590,581
Kirklees	371,750	32,630,858
Leeds	704,853	89,390,338
Wakefield	311,787	35,118,477

East Riding of Yorkshire, Grimsby, Scunthorpe and adjoining areas of North Lincolnshire.

Otherwise, geographical counties have remained much as before, with the amalgamation of some of the smaller ones (for example, Rutland) into larger units. These counties were further divided into 333 non-metropolitan district councils. Functions were similarly divided.

## FUNCTIONS

The basic aim of the 1974 re-organisation was to provide two tiers of local government, each of which had its own duties and was independent of the other. To make things easier the former arrangement of "delegation" and "claiming" was abolished, and legislation was provided to allow for simple "agreement" between local authorities on provision to be made for responsibilities.

Generally, functions which are essentially "local" (for example, local planning, housing, refuse collection, environmental health, cemeteries and crematoria) were allotted to district councils everywhere.

Functions which need to be planned over substantial areas (for example, statutory structure planning, highways and traffic, fire, police, consumer protection and refuse collection) were allotted to county councils



in both metropolitan and non-metropolitan areas.

Functions which, while not necessarily needing a large geographical area, need a large pay-load to permit economical employment of a range of specialist services/staff (for example, education, personal social services, libraries etc) were allocated to district councils in metropolitan areas and county councils elsewhere.

Services which may be provided on either a very local level or on a wider basis were allocated to both authorities (for example, museums, art galleries, leisure facilities). In these cases it has been for the authorities to decide between themselves the extent of the provision they should each make.

Research: Sue Hopkins



The West Midlands County Council like its counterparts elsewhere is developing a comprehensive strategy to tackle the decline of the local economy.

The Metropolitan County Councils' detailed knowledge of their local economy has enabled a responsive approach to the specific problems of our major conurbations. Problems which cut across the boundaries of individual towns and cities and therefore require a strategic rather than a piecemeal solution.

Schemes have the minimum of bureaucracy because the County Councils understand local issues and because their elected members are democratically accountable to local people.

The Metropolitan County Councils provide an approach to Economic Development which is accountable, responsible and effective—a strategy with no red tape.

## THE WEST MIDLANDS ENTERPRISE BOARD

West Midlands County Council has established the West Midlands Enterprise Board to provide development capital for medium and large local companies, which can demonstrate long-term viability. Its investments are made in the context of a developing industrial strategy, which seeks to identify strengths and opportunities in the local economy, and are accompanied by planning and investment agreements.

These investments totalling £3.6m have created or secured 1673 jobs so far in 12 companies. This investment has led to the attraction of considerable additional funding from private sector institutions for the businesses concerned.

## INTEREST RELIEF SCHEME

The interest relief scheme launched jointly by the County Council and the Industrial and Commercial Finance Corporation (ICFC) encourages investment and job creation in the County and has provided a very cost effective way of creating jobs, at £1,514 per job as opposed to the £7,500 which is widely held to be the minimum job cost of traditional regional policy. The County Council meets up to 5 percentage points of the interest on loans which must be for the purchase of fixed capital assets leading to job creation.

## WARWICK UNIVERSITY SCIENCE PARK

The County Council has backed the development of Warwick Science Park in conjunction with other local authorities and private sector bodies.

The Science Park is designed to attract High Technology companies wishing to locate close to the University to take advantage of its facilities and develop a closer relationship with its researchers. This initiative reflects the County's view that the local economy must diversify into a wider range of industries in the future.

The County Council is providing towards the initial start-up costs of the Park and for the construction of a major building to house larger new technology firms.

## TRAINING

Training is an essential element of the County Council's Economic Strategy. Providing people with the craft, technical and managerial skills relevant to the needs of industry in the 1980s is as important as investment in up to date plant and machinery.

Whilst acknowledging that with the limited resources available, it can never of itself fully compensate for the withdrawal of resources as a result of the recession and

Government decisions. The County Council has a policy of selectively supporting a range of important and innovative training schemes.

In all the County Council supports 1500 training places through its various initiatives with training boards, local colleges, voluntary groups, in its own Task Force and within its own departments.

## WELFARE BENEFITS CAMPAIGNS

The County Council recognises that employment is only one aspect of an economic strategy. Initiatives to generate job creation and investment will not work overnight. In the meantime welfare benefits take-up campaigns have been organised to encourage the worst off to claim their rights. So far over £2m has been put into the pockets of local people—to be spent in local shops and businesses.



**West Midlands County Council**

West Midlands County Council, County Hall,  
1 Lancaster Circus, Queensway, Birmingham B4 7DJ.



## Little local support for survival battle

**Greater Manchester**  
IAN HAMILTON FAZEY

OF ALL the metropolitan counties, Greater Manchester sprawls. With nearly 2.6m people it is only slightly smaller than the largest, West Midlands, but it occupies almost half as much land again, little of it countryside.

Unlike the West Midlands' situation, where there are 1m people in Birmingham, the City of Manchester has less than half that. The rest of Greater Manchester's population is spread throughout nine other smaller districts, each founded on once-separate towns which have coalesced over time into a giant urban area between the M6 and the Pennines.

Before the Greater Manchester Council was born, any idea that there was anything like a single community had no credence at all. Mr Tony Harrison, the GMC's chief executive, says: "The big change we brought about was the registration of the identity of Greater Manchester. There was no real regional voice before 1974."

Indeed, there were 67 local authorities, each fighting its own corner in some way or another. The most dramatic illustration of this is the £20m-worth of highway schemes that the GMC inherited. It would have taken 150 years to carry them all out. The GMC sorted out the priorities—much to the annoyance of most of the district councils—and reduced the figure to a manageable and affordable £200m.

That single piece of rationalisation had an important side-effect: it de-blighted 80,000 properties in the region; the county's planners, fed up with being wrongly blamed in the public's mind for housing disasters, are understandably pleased about that.

Mr Harrison says that unlike South Yorkshire, which has total support, Greater Manchester cannot count on any help from its district councils in its fight for survival. The districts want to go their own way, so much so that at least one is already planning to reinstate a pet road scheme axed by the county.

He predicts disaster if joint boards find themselves having to make unpopular strategic decisions. He says: "They would have to decide through consensus, which is at best slow and at worst impossible. The great merit of the present system is when it comes to everyone paying their share. The county's capacity to make decisions and mobilise resources is crucial."

He says this has led to the GMC's major achievements of establishing efficient county-wide services for police, fire, public transport, highways, traffic management, waste disposal, the arts, river valleys and the environment.

The last two are good illustrations of the GMC's role. Previously, the river valleys—Mersey, Douglas, Croal-Irwell, Tame and Medlock—represented the polluted, derelict backwash of the industrial revolution. They cross district boundaries and no one would take the responsibility of cleaning them up.

### Improvement schemes

The GMC's programmes have seen £5m spent on improvement schemes to reclaim the river valleys and create country parks in a conurbation that is unusually short of greenery. Funds have come from many sources, including central government, the EEC and the Countryside Commission. Part of the county's precept on the districts now goes towards the valleys' £1m annual maintenance charges.

As Mr Don Burns, the county planning officer, puts it: "In the old days you couldn't see the water for the foam in many places. But there's no point in improving the Irwell in Salford if the muck is still going in upstream at Bolton."

Mr Burns says that any metropolitan county has two prime functions—drawing up a strategic plan and then implementing it. Before 1974 the districts bickered over a structure plan and he believes they will fail to agree again as representatives on joint boards fight to safeguard their own districts' interests.

He foresees free-for-alls, particularly in shopping and retail development where it is feared that unco-ordinated growth

between districts will further damage inner, declining areas because there is no growth in either population or real spending power.

The other likely difficult area is refuse disposal. "There are no votes in that," says council deputy leader Councillor Harry Davies, the chairman of the relevant committee. "No one wants someone else's rubbish. But it's no longer a matter of sending the dustcart down to the tip." Indeed, only one of Greater Manchester's 10 districts is self-sufficient in dumping rubbish. The rest rely on each other and in-fill sites outside the county.

Transportation too makes a nonsense of district boundaries, with nearly all journeys crossing at least one.

Mr Graham Kilner, assistant county engineer, says: "Transport is not a local matter. Traffic jams are no respecters of boundaries drawn on a map. That is why we have set up a computer-linked network of 750 sets of traffic lights covering eight of 10 districts. Who is going to run that? Who is going to fund it?"

Another important question is who is going to run Manchester International Airport, now officially in the "international gateway" class? The GMC's fierce regionalism under both main parties about the airport—the Conservatives were in control in 1977-81—is supported by the other metropolitan counties and many of the shires.

Mr Harrison fears that the airport will now be "nationalised" by transfer to an antagonistic and remote British Airports Authority, thus weakening its case to handle more international scheduled services.

The GMC has worked hard and impressively to prove its case, and can also point to moderately successful attempts at industrial development, subsidised apprenticeships to help local companies keep up long term training, and £21m prised out of the EEC, partly by appointing its own lobbyist in Brussels.

Despite this, the county seems largely unmoved, and not just by district councils which resent and covet its power, but also by industry and commerce. The last meeting of the regional council of the CBI voted unanimously for the GMC's abolition.

## A local bureaucrat who speaks his mind

PROFILE: RAY O'BRIEN

IF YOU want to get Ray O'Brien going, you can do worse than mention the name of Professor Patrick Minford, the philosopher king of monetarism whose base just happens to be at Liverpool University at the heart of Mr O'Brien's bailiwick.

"I met Patrick Minford at a Stock Exchange lunch," he recalls, "and he said to me: 'don't talk to me about social problems — I'm an economist'. The day he stands on a street corner in Toxteth and says that is the day I'll start listening."

Mr O'Brien, chief executive of Merseyside Council, is not your standard local government officer. He feels passionately about two things, that

Merseyside needs and can respond to intensive care and that central government is systematically trying to neuter local government, which is the only way in practice such intensive care can be administered.

The two themes merge into one over the issue of abolishing the metropolitan counties and Mr O'Brien will be among the most formidable of the Government's opponents as the process gathers pace.

Born in Crosby of Irish Catholic stock and with an Oxford University training in law, Mr O'Brien has spent his life in local government, taking in Cheshire and Nottinghamshire before, in 1977,

cheerfully taking a pay cut to get himself back to Merseyside.

A former rugby fly-half and devoted follower of Liverpool Football Club, Mr O'Brien says he was shocked to discover on his return the scale of the racial tension which had grown up in areas like Toxteth.

"I'd always thought Liverpool would escape that, because it has always been cosmopolitan. No one had really appreciated that. The old Liverpool where everybody is a comedian had changed. There were black people who perceived themselves as very disadvantaged indeed."

Because he is so little the conventional bureaucrat, O'Brien likes nothing better than to introduce sentences with the phrase, "speaking as a bureaucrat," and he is scathing about the way that, in his opinion, government ministers have deliberately blackened the name of local government and its officers.

He vows, however, that he will get one back on behalf of the bureaucracy when he leaves local government, as he says he will in three years time at the age of 50. By then, he argues, it will be time for a change.

What will he do? "Something entrepreneurial," he says, not least because he'd like to add the evidence of his



Mr Ray O'Brien: not your standard local government officer

own career in contradiction of what he calls the Sir John Hoskins proposition "that all businessmen are clever and all bureaucrats are thick."

## A county with government a-plenty

**Merseyside**  
IAN HARGREAVES

WHATEVER ELSE it may have lacked in recent years, Merseyside has not been short of government.

Apart from its five district councils and the Merseyside County Council, the area has a Development Corporation, a Government "partnership" scheme, an assisted area under the regional programme and even, for a while, had its own "Minister for Merseyside."

It has several private sector enterprise trusts, a Government enterprise zone and just outside the county boundaries new towns a-plenty. Its affairs have also been investigated by a special committee of the House of Commons.

None of these efforts has succeeded in turning the tide in the area's economic fortunes. Over 140,000 people are out of work on Merseyside, half of them aged between 19 and 24—more jobless people than in the whole of Wales. The unemployment rate is almost 19 per cent. Nabisco, United Biscuits, Schweppes, Kraft, Barker and Dobson, and Liverpool Central Oil are but the latest names in a depressing roll call of cut-backs and closures.

This dismal economic backdrop is, say the officers and members of the Merseyside

County Council, one of the most important reasons why the authority should not be abolished. "The county is probably the only authority on Merseyside to have really done something about the economy," says Councillor Albert Birch, a long-standing Conservative member. "I'm totally against abolition."

"You look at all those other special funds that have come into Merseyside," says Mr Ray O'Brien, the county's chief executive. "They all carry with them the fact that central government makes the decisions. It is taking the power to Whitehall."

The council's spending on economic development—limited by statute to the product of a 2p rate—is, of course, only a tiny part of its activity representing £2.3m out of a total revenue expenditure of £206m last year. But it is the type of activity central to the conflict of views in the debate about metropolitan counties.

The Government sees this type of work as empire building by authorities in search of a purpose. Its backers see it as an essential force for leadership and regeneration.

According to Mr Jack Stopforth, who runs Merseyside County Economic Development Office, the average cost of the 7,500 jobs Merseyside's grant scheme has so far helped create is only £565, which compares well with the cost-benefit performance of, for example, the Government's regional aid programme, where

cost per job has reached about \$45,000.

### Open support

Likewise, the Government's ministerial task force, still active under Mr Patrick Jenkin, the Secretary of State, although with a lower public profile than under Mr Michael Heseltine, "doesn't actually do anything," Mr Stopforth says.

Merseyside, whose marketing, counselling and industrial liaison work is carried out in conjunction with a wide variety of private sector bodies, such as the well-known Community of St Helens Trust, can also point to strong and open support from the Merseyside Chamber of Commerce whose leaders, unlike those in a number of other metropolitan counties, have emerged as vocal opponents of the Government's abolition plans.

So far as Mr O'Brien is concerned, the economic development work is part of his own vision of what local government is about—"trying to deliver something which isn't there already." Into the same category fall the council's efforts to develop tourism through an active role in developing the local Beatles industry and saving Aintree race course.

Whether the authority's undoubted vigour also reflects in a high degree of financial efficiency is harder to determine. With a rateable value per head (£108.49) second only to the West Midlands, Merseyside has tended to appear at the

higher end of the expenditure per head figures collected by CIPFA. Last year's revenue spend was up 16.4 per cent on the year before and the council, judged by the Government's yardstick to be an overspenders, suffered a grant penalty of £5.5m.

Mr O'Brien's general defence of these figures is that the bulk of the council's spending (41 per cent in 1982-83) is on police and fire services, where wages have been rising faster than inflation because of government policy.

He also argues that Merseyside can justify higher than average spending on police because it has more crime (92 serious offences a year per 1,000 population, compared with an average of 78 in the metropolitan counties overall) and on fire because it has more houses in designated high risk fire areas and so on.

On the other hand, it is true that much the sharpest increase in spending in 1982-83 was for public transport, whose cost rose by over 22 per cent as a result of the left-of-centre Labour council's cheap fares policy. Public transport accounts for 21 per cent of spending.

It is also the case that the council has enjoyed a rapid increase in the number of its central services staff, starting out with 372 in 1975, rising to 479 in 1983—a 28 per cent increase. Most of the extra were secretaries or computer staff, the latter swollen as agency contractors were taken in-house. In the last five years, the

size of the staff has not changed significantly.

The politics of the abolition debate on Merseyside are widely polarised. Seton District Council (a district which includes the resort town, Southport), Conservative-led, has attempted for the last 10 years to behave as if the county council did not exist anyway, refusing co-operation in joint activities.

Not surprisingly, it is leading the argument for abolition now. In the opinion of Seton's leaders, county functions should simply be returned to district level, which is not, of course, what the Government is proposing.

Liverpool City Council, now under far left Labour leadership, but a hung council which for several years was Liberal-led, is also a traditional enemy of the county council, although under its new political colour it has become much more sympathetic. Wirral District Council, another Conservative-dominated authority, is also openly anti-county, although its opposition is less full-blooded than that of Seton and seems in large measure to be a response to a desire by the people of Wirral to return nominally to Cheshire, whence they came in 1974.

Within the county council itself, there is a strong body of Tory opinion against abolition. The Tories make much of the argument that Liverpool City Council in a state of permanent political uncertainty, the stabilising factor of the county council is essential.

# We reach the firms others cannot reach

Of all the problems faced by local authorities in the 80s, unemployment is surely the closest to home. And, because of its effects on family life, and particularly on the growing army of young unemployed, the six Metropolitan County Councils place job creation at the top of all priority lists.

Of course, many forms of funding are available through Central Government agencies and established financial institutions; but for many enterprising firms, the rules and regulations of existing sources fail to meet the bill.

Metropolitan County Councils believe in enterprise, and in West Yorkshire all is not lost if for one reason or another the established channels cannot provide the right levels of financial support.

Or again, the problems may not just be a matter of loans or grants. So we help in other ways too—with new or improved access roads, for example.

By providing enough at the right time, we "Prime the Pump." And we reach the firms others cannot reach...

### Help for small firms

In just 18 months, 1,400 new jobs have been created by new or expanding small businesses at a cost of £700,000. Working with local Enterprise Trusts and Chambers of Commerce, small grants and loans of up to £15,000 each have filled the gap in the commercial funding market for more than 300 firms. But don't take our word for it. Read what those at the sharp end of the business have to say.

#### MICROPROCESSOR CONTROL SYSTEMS LTD, MORLEY

A small grant and loan enabled the company to buy a computer with which they design control systems and a commercial micro to interface with them. Within a year, more than 26 new jobs have been created, with more in prospect.

Mr R. McDermott, Managing Director: "The County Council came up with the cash when we needed it and gave us the confidence to go ahead."

#### MANSFORD (SPORTSWEAR), BATLEY

An interest-free loan from the County Council enabled the company to move out of inadequate accommodation into a factory where production could be expanded.

Mr D.M. Adamson, Managing Director: "The loan from the County Council allowed our company to secure a mortgage on a new factory. The extra space allowed us to maintain our annual growth rate at 70 per cent and to increase our production and employment levels by 60 per cent since moving in at the start of this year."

#### FALCON MANUFACTURING CO. LTD, BRADFORD

A financial package of around £750,000 was clinched by the addition of a small loan from the County Council. The new factory, manufacturing drivan beds, created jobs for 16 people immediately. The company now employs 40.

Mr J.L. Mathews-Lane, Managing Director: "The loan was essential in putting together the financial package. We could not have done it without the County Council's help."

### Sites, premises & roads

In seven years, the investment of £750,000 has achieved 30,000 square metres of factories for small firms; more than 300 acres of land opened up for industrial development; 1,300 jobs created or safeguarded, with a potential of up to 9,350 jobs. Again, a first-hand view:

#### NUTCLOUGH MILL, HERBEND BRIDGE

The mill is presently being renovated and will provide more than 100 jobs in small businesses, thanks to a £125,000 grant from the County Council, together with site works costing £50,000.

The Chairman of Pennine Heritage Trust, Mr D. Fletcher: "The grant was a tremendous gesture and an indication of the support given by the County Council."

#### SOVEREIGN STREET WORKSPACE LTD, LEEDS

In a joint venture between the management company and the County Council, involving a £70,000 loan, a refurbishment scheme has provided workshops for light manufacturing purposes to complement the already successful serviced offices scheme. The studio workshops range in size from 15 square metres to 45 square metres and have back-up facilities, including full reception, telex, photocopying, and use of conference rooms.

A director of the management company: "Financing this type of project in the private sector is very difficult and the help of the County Council was invaluable in getting the workshop scheme off the ground."

#### THE SPRING RAM CORPORATION PLC, HALIFAX

The company established a factory in 1979 with the help of an access road built by the County Council.

The firm now produces bathroom and kitchen furniture at six factories in Halifax, employing 220 people and with another 80 jobs to be created by Christmas.

Mr R.S. Murray, Vice-Chairman: "We were very grateful for the early support given by the County Council. The company is now growing and prospering."



## WEST YORKSHIRE Metropolitan County Council

Above are a few examples from just two of the County Council's wide-ranging schemes devised to encourage industrial growth.

Relatively modest investments and loans, where appropriate, are preserving jobs and creating new jobs, to everyone's benefit.

Similar schemes are operating successfully in all six Metropolitan Counties—helping many thousands of families in the hard-hit conurbations.



## METROPOLITAN COUNTIES VI

## Adversity unites rival districts

## West Midlands

ARTHUR SMITH

THE ROW over what follows the county council is particularly poignant in the West Midlands. Here is a part of the country—not sure whether it yet has a regional identity—that is feeling its way towards a common approach to the traumas of rapid economic decline.

The whole thrust of the Government white paper is against the strategic role of the county councils. Yet, in the West Midlands, there is an emerging consensus that more must be done to get the fiercely independent districts of the region to pull together for the benefit of the area as a whole: postures struck in times of prosperity change swiftly in times of adversity.

The district and county councils across the economic region, prodded by the business community—particularly the Confederation of British Industry—have already joined forces to set up a West Midlands Industrial Development Association. The aim is to attract inward investment and a chief executive is soon to be appointed.

Perhaps more significant in the local debate about what replaces the county council, is the idea being investigated by the West Midlands office of the CBI that a development corporation should be formed similar to those already operating in Scotland and Wales.

The CBI, in a discussion paper approved by the regional council, seems to strike at the heart of the issue of the proposed changes in local government to the extent they affect economic initiatives. Identifying the demise of the county council as something of a political vacuum, the CBI argues strongly for devolving as much administrative power as possible from Whitehall to a new regional agency.

With the lessons of the strategic planning functions of the regional council, such an agency could ensure liaison between not only the district but also the shire councils.

The CBI's case, though directed principally towards the Government review of regional policy, a White Paper on which is likely before the end of the

year, links the two arguments by pressing for greater co-ordination of central Government programmes through a regional body able to judge the local needs of where individual assistance should be given.

The strategic arguments for the council are stressed by the chief executive, Mr Derrick Hender. A conurbation, dominated by Birmingham but flanked by strong authorities such as Coventry, Solihull and Sandwell needs an overall view, he claims.

Mr Hender cites the Black Country Route, a much-publicised privately-funded proposed motorway, as an example of how the county council is able to take a more balanced strategic view. The county council is behind a consortium, backed by Lichfield, to build a 300m seven-mile-long dual-carriageway to open up for development a wide area of the Black Country.

## Strategic planning

He is afraid that the role of strategic planning will simply "revert to Five Ways," the Birmingham headquarters of the regional office of the Department of the Environment. The whole exercise, he suggests, will merely result in highly-qualified people switching employment from the county to their local district council or to central government.

Mr Hender concedes there will be casualties among chief officers. But, he is highly sceptical about government claims of manpower savings. He thinks that most of the 18,000-plus employees of the West Midlands Council will merely find their salary cheques come from a different address.

He challenges: "In terms of efficiency I would put local government people up against central government any day of the week." He goes on: "I don't want to bang any drums but the whole style of government is becoming too centralised."

He argues that in 40 years of working in local government there has always been "a sense of tension" between central and local administrations "the checks and balances that make local democracy work."

That is an argument taken up not only by the controlling Labour group but echoed also by Mr Alan Hope, leader of the Conservative opposition. He is particularly outspoken about the proposed joint boards to

administer the police, fire and passenger transport functions: "I believe fervently in local government. These boards will be totally undemocratic—they will be the beginning of the death of local democracy."

He says it is wrong to argue against the will of the electorate expressed in the recent general election that the metropolitan councils must go. But argues the recent White Paper raises more questions than it answers.

Mr Hope says: "In the real world of politics, the joint boards will become a battlefield." He is cynical about all the talk in the White Paper about "co-operation" between authorities. "On the joint board, out of the 27 seats 10 will go to Birmingham. Regardless of party, that is big brother talking."

Mr Hope puts the issue of the conflicting interests succinctly: "You could not ask a board made up of seven West Midlands district councils to take a decision to agree on what day of the week it was."

But Mr Kevin Hawkins, West Midlands director of the CBI, takes a more optimistic view: "The metropolitan districts know they are on trial. The last thing we want is a return to parish pump politics and local feuding."

He maintains there is "a fighting chance sense will prevail," and the districts will co-operate to prove most can be saved. Important to the business community, which has been united in its opposition to the county council, will be the attitude of the district authorities towards co-ordinating economic initiatives.

The West Midlands county council, where after all more than 80 per cent of employees are engaged in fairly non-political law and order, and emergency services, has seen the economic sector as an important area in which to expand activities.

Mr Terry Pitt, a former chief of the Labour Party research department and special adviser to the Wilson Government, was recruited to head-up a high-powered economic development unit. Mr Geoff Edge, a junior minister in the Callaghan administration, chairs the Enterprise Board.

But, for all the effort the tangible results remain limited. The whole option to achieve credibility within the business community, had to contend with

the basic prejudice against both the upper tier county and "a Socialist administration." Early investments in the traditional foundry sector and the Meriden Motorcycle Co-operative, now in receivership, have not helped.

But Mr Hawkins of the CBI says it is too early to judge the effectiveness of the enterprise board—a view, needless to say, endorsed by its chief executive, Mr Norman Holmes.

He insists the board, which has invested £4.5m in 15 companies employing 2,000 people is now beginning to get off the ground. Recent investments have tended to be not in traditional West Midlands trades but in more consumer-orientated companies.

Mr Holmes claims "a vote of confidence from the market place" to the extent that a de-

velopment capital fund of £4.5m has been launched of which seven pension funds have put up half the money. The board identifies and evaluates projects and the institutions have a right of veto.

Mr Holmes argues that the enterprise board, if it can prove success in its investment will survive the demise of the county council. The board was meeting a requirement from medium sized companies for funds and could be investing at the rate of around £10m a year.

Whether or not there was a county council, rate funds—£8.5m in the first two years to March 1984—would not be enough. "We need to be able to attract the confidence of the private sector. Like any business we will survive according to whether we make the right investments."

## Fares rows mask the successes

## Transport

HAZEL DUFFY

TRANSPORT IS one of the most visible functions for which the metropolitan counties have responsibility, and one in which they believe they have demonstrated a high degree of success.

The Government, however, views the actions of some of the counties in subsidising their public transport very heavily—notably South Yorkshire—as an unnecessary assault on the pockets of the ratepayers, and particularly some commercial ratepayers who have complained bitterly about the cost.

It is unfortunate in many respects that the fares issue—which became a national debating point only when Mr Ken Livingstone, leader of the Greater London Council, cut London fares—has obscured some of the successes that have undoubtedly been achieved in the transport field in the biz contributions.

Since 1974, the counties have been the designated Passenger Transport Authorities, with responsibility for public transport, highways (other than trunk roads), and traffic management in their areas.

The public transport operating functions are carried out by the Passenger Transport Executives on behalf of the PTAs.

Central government funding, and hence a degree of authority over the PTAs, is exercised through the Transport Supplementary Grant (TSG) as well as through Rate Support Grant (RSG), whereby the PTAs submit their transport expenditure plans to government annually. The Government decides on the level of accepted expenditure, and awards the TSG accordingly. The mechanism applies to the shire counties as well as the metropolitan counties.

Criticism of the mechanism as far as Government is concerned has centred around the arbitrariness with which the PTAs can make decisions on actual expenditure and the lack of control over the amount by which the PTAs decide to subsidise public transport from the rates, other than the blanket sanction of reduction of block grant. A common complaint by the PTAs, on the other hand, is that the annual requirement of submission of transport plans and award of grants makes long-term planning difficult.

The control by the counties over rate support for transport has already been the subject of an attempt by government to limit their power. The 1983 Transport Act introduced the concept of protected expendi-

ture levels for the six metropolitan counties after a number of legal actions had failed to clarify the issue of the amount by which they could legally subsidise fares.

The Act also attempted to shift some of the balance of responsibility for transport planning from the PTAs to the PTEs—requiring the latter to publish three-year plans—and making it requisite on the PTEs to go out to competitive private tendering for certain, mostly unspecified, services.

## Progress

The Government says in its recently published consultation paper on the re-organisation of public transport following the abolition of the metropolitan counties that it intends these arrangements to be strengthened.

Government dislike for the subsidy policies of some of the metropolitan counties is evident. But it admits that the counties have made some progress in the difficult area of providing a properly integrated and efficient system of public transport.

Integration, at some cost, has been achieved most notably in Tyne and Wear, where the Metro rapid transport system links in with bus and British Rail services in the area. The

everyone will say yes. The problem is what to put in its place."

The West Midlands County Council, currently spending more than £450m a year and with a staff of 16,000, is very much Mr Hender's creation.

He remembers his first day back in 1973. Then he was the solitary member of staff and operating from purely temporary accommodation. He argues the Government is turning its back on what has been done over the ensuing years—"achievements which in many areas would not have come about but for the dynamism, influence, resources and strategic perspective of the county council."

Mr Hender points in particular to development of a £60m new airport terminal, including MAGLEV, a pioneering new transport system; reclamation of 1,100 acres of derelict land; the



Derrick Hender: "not offended"

integration of bus and rail services across the county, and the creation of the Enterprise Board.

"It is my belief that if the county council is abolished in 1986 the opportunity and thrust for such substantial achievements will have been destroyed."

cars, housewives, the young and the elderly—but also those who are choosing to use public transport.

It is difficult to pronounce on the degree of efficiency they bring to public transport in their area. A recent Monopolies Commission report on four "local" bus services drew attention to the difficulties inherent in any such study—"there are many different measures of efficiency and there is no single agreed measure of performance for purposes of overall comparison."

The future of the PTAs under the proposed new structure of PTAs has not been spelled out by the Government. It is known, however, that there will be every encouragement to break down operations into smaller managerial units and possibly contract out for operational services with the private sector.

The PTAs themselves, set up in 1968, have complained privately about the political content of the present structure, although relations between the PTAs and PTEs have not all been bad.

The solution finally decided upon by the Government is likely to recognise the achievements in part, but the political reshaping may well sacrifice some of the good that has been done.

# Before 2,500,000 people lose their voice, won't someone listen?

Greater Manchester. Strong, industrious, enterprising, independent, and since Roman times—one of Britain's most economically important areas, a vital producer of the nation's goods and its wealth.

Today its unique blend of natural and human resources is more important than ever, maintaining an environment in which industrial, commercial and new technology skills are helping ensure Greater Manchester's prominence as a vital factor in the country's economic recovery.

Yet inexplicably, its towns and cities and their 2.5 million people face an unprecedented threat from the least expected of quarters—Central Government. Less than 10 years after asking Greater Manchester Council to establish the complex framework needed to stabilise and strengthen this key region, the same Government now wants to scrap the GMC, assuming for itself most of the strategic responsibilities.

Secretary of State Patrick Jenkin believes Westminster and Whitehall are better placed to assess and provide for the needs of Greater Manchester. He also says they can provide a wide range of services more effectively, more efficiently and more cheaply.

Before agreeing with him, you might ask him these questions. In the process you might also discover why GMC, for one, thinks he's wrong...

## Will the Government speak up for Greater Manchester?

The County Council is an effective economic voice for a united Greater Manchester. GMC has led the county into a new era by its own policies, skills, initiatives and determination—and without a flow of Whitehall handouts.

It has used its powerful voice well. And wisely, attracting over £20 million in EEC grants for the economic and social benefit of the County. And enterprisingly, harnessing its resources with those of leading research institutes to pioneer breakthroughs in technology—like its current projects for converting waste products into fuel. And optimistically, pioneering major capital schemes to create economic growth and social improvements.

Ironically, achievements by self-help warrant little interest from Government. Which is sad, because Westminster has little idea of the innovative policies and projects it plans to inherit or abandon. And disturbing, because Whitehall has even less idea or experience of maintaining extensive economic frameworks so carefully nurtured to success by the GMC during nearly a decade.

## Will the Government create new jobs and invest in local industry?

GMC's economic determination has launched schemes like Operation Jobs Boost and the vital Lifestart apprenticeship schemes, creating thousands of new jobs. The same determination is providing millions of pounds worth of venture capital—through the local authorities' pension funds—for bright successful companies to consolidate or expand. Currently, more than £13 million is being ploughed directly into new economic development projects.

## Will the Government halt urban decay and regenerate the inner cities?

More than £20 million is being spent on major inner city regeneration schemes such as the transformation of Manchester's derelict Central Station site into the North West's most important exhibition and events centre, and the exciting conversion of another redundant city centre railway station to become Europe's finest science and industry museum.

## Will the Government protect public transport and communication?

Greater Manchester has developed second-to-none communications networks, with more motorways than any other county, extensive trunk road improvement schemes, and a substantial public transport investment programme to further enhance the work and leisure mobility of two and a half million people.

Special help for the young and the old through countywide concessionary fares, sensible development of Manchester International Airport to consolidate its position as Britain's

preferred third airport and the streamlining of highways plans to save millions of pounds in blight compensation are good examples of GMC's careful policymaking.

## Will the Government improve the countryside?

Ten years ago, Greater Manchester had more derelict land than any other English county. Today it boasts the largest, most successful range of country park, river valley and urban land reclamation schemes in Britain. Since 1974, GMC has turned 3,000 eyesore acres into attractive urban countryside. Its current reclamation programme covers more than 100 sites and over 6,000 acres. No surprise perhaps that GMC's far-sighted approach to green belt protection has received wide commendation.

## Will the Government maintain arts and recreational support?

Greater Manchester people take their work seriously. They also enjoy their leisure, which is why GMC does more than most to support cultural, arts and recreational development, in its desire to provide regional facilities that are accessible to everyone. Each year, GMC invests hundreds of thousands of pounds in national and regional performing arts, protecting its heritage, improving peoples' lifestyle.

To protect Greater Manchester's ability to do today what others may struggle to achieve tomorrow, and to safeguard its crucial contribution to the nation's economy, the County must retain a strong voice. Without it, the nation as well as the County will be the poorer.

# GMC

Greater Manchester Council

## GREATER MANCHESTER - THE COUNTY PEOPLE COUNT ON



## METROPOLITAN COUNTIES VII

## Pioneers in cheap public transport

South Yorkshire  
IAN HAMILTON FAZEY

WHEN SHEFFIELD, Barnsley, Rotherham and Doncaster were lumped together into a new metropolitan county called South Yorkshire, even the Conservatives admitted they were unlikely ever to be in control.

Sheer demography promised permanent Labour rule for the county and the four district councils that were based on the old boroughs: that is the way it has remained.

This security of office led some Labour councillors to joke about it. This was born the "socialist Republic of South Yorkshire," a little republic delegates from the county had printed on badges to proclaim their origins.

Political opponents seized on it, the name became symbolic, and some people in South Yorkshire are a little rueful about it these days.

## 'Meant as a joke'

As a spokesman in the county hall at Barnsley puts it: "No one foresaw the future behavioural pattern of the GLC and Ken Livingstone. This helped to turn that title into something that can be very embarrassing. We always try to stress that it was meant as a joke. People say it makes it much more difficult to attract industry."

To the county council's opponents, however, never have truer words been spoken in jest: they contend that South Yorkshire is run by spendthrift socialist planners.

Mr John Hambidge, chief executive of Sheffield Chamber of Commerce says that permanent Labour control of the region puts its industry under unremitting pressure, with no prospect of council dictates ever being reversed, rather like suffering discrimination through

being a member of a permanent minority.

He says: "The root of the problem in South Yorkshire is that industry and commerce is powerless in the middle of all this political feuding between national and local government. All we are required to do is pick up the bill at the end of the day."

The four chambers of commerce in the county—one in each district—have therefore been the leading proponents of South Yorkshire's abolition.

The chambers used to meet county leaders regularly to put their views but meetings stopped when the business leaders were told that the most contentious subject—the county's subsidy of fares to provide cheap public transport—was to be excluded from future agenda: the council would not be persuaded from its policy.

Why this issue arouses such passions is obvious when South Yorkshire's public transport subsidy is compared with those of the other metropolitan counties. In 1983-84 it will be the highest in total—£58.5m.

The biggest metropolitan county, Greater Manchester, has twice as many people as South Yorkshire's 1.3m and will spend only £45.9m.

Indeed, on a cost-per-head basis the contrast is even more telling: South Yorkshire tops the league at £44.57 per head per year, well up on Merseyside's £33.96, West Yorkshire's £20.76, Manchester's £17.69, Tyne and Wear's £16.06 and the West Midlands' £10.80. Even the GLC spends only £33.13.

This, however, overlooks one important fact. South Yorkshire is not a conurbation in the way that the others are, for while Sheffield and Rotherham coalesce into a large urban complex of 780,000 people, Barnsley and Doncaster stand almost in islands of greenery to the north and north-east.

Indeed, the county's area is only 2,000 hectares smaller than

the GLC's and, while West Yorkshire is bigger, it has 2m people and a much more populous central conurbation.

Consequently, South Yorkshire's policy—of trying to cope with recession by increasing mobility among the workforce and widening each district's potential travel-to-work area—is bound to be expensive because the distances between urban clusters are relatively greater.

There is a side benefit: wider mobility of people helps to bind the towns together socially. It is the creation of this identity for the area that the county sees as one of the most important things in its favour, for it is now the embodiment of South Yorkshire's community of interest. How else but through centralised policies and the consequent economies of scale could the scattered, economically declining communities pull together to drag themselves back towards growth?

## Narrow base

The county's traditional, narrow industrial base—coal in the north and steel in the south—is not likely to provide new jobs. Steel has fared appallingly in the recession and although 10 per cent of coal produced in the EEC comes from South Yorkshire, productivity improvements mean that it comes increasingly from modern pits employing fewer people.

The county and its supporters say the fight against the consequent unemployment and decline is best left with local people with a regional perspective: it cannot be managed satisfactorily by smaller local government units or a remote Whitehall.

As the spokesman puts it: "The county brought together disparate communities that were declining fast to become a very deprived part of the industrial North. It took us five years to get working and

the next five years to start getting to grips with things. We are now getting into our stride. The set-up may not be perfect but it works."

The achievements claimed by the county include South Yorkshire being taken seriously by the EEC Commission—Brussels money is going into the development of the canal linking Rotherham with the Humber to enable it to take 800-tonne vessels, for example.

Officials also point to widespread, co-ordinated recreation programmes and the attempt to halt the decline of the Dearne Valley—between Barnsley and Doncaster—which was becoming an industrial wasteland.

Like the other metropolitan counties, South Yorkshire has taken advantage of economies of scale to rationalise police, fire and waste disposal services. It has spent money on recreation and the arts that has brought the Royal Ballet, the English National Opera and the Royal Shakespeare Company to the county.

Savings, it claims, will be minimal, if the county goes, because nearly all jobs are functional, such as in the police service, and will still have to be done and paid for. What will disappear will be subsidies to the arts—and hence, the arts.

But with unemployment rampant, along the bottom at about 15 per cent, is not the acid test how well the county has done in reducing that by its strategy of widening the economic base?

The county's spokesman says: "We haven't had the recession, so it's difficult to judge the impact. We can certainly claim that we have been getting things right for when there is an upturn. And we have eased the lot of the people."

"We haven't got them jobs, but we have got them easier transport for better mobility. If we hadn't been here things would have been very much worse. Abolishing us is not going to make them better."

## New light on the lamp-posts' count

IN SOUTH YORKSHIRE politicians and county officials are still smarting over a Conservative allegation at the General Election to support the claim that the metropolitan counties are "wasteful and extravagant."

The allegation was that South Yorkshire had wasted ratepayers' money by taking a score of people off the dole to count the county's lamp-posts. It was contained in briefing material sent to Conservative candidates.

A county spokesman says: "It is true that we gave temporary employment to people to count lamp-posts. We called it an inventory of street furniture and we had a very sound reason for doing it."

"It was not only to gather data so that we could use our



computer to plan more efficient maintenance—for which you need to know exactly how many of what type of lamp-posts you have and where. We also wanted to check our electricity bill.

"How much you pay is based on the number of lamp-posts you have and we had never had the manpower to make an accurate count before. The money spent on the inventory was recouped within a year

and, of course, those savings are continuing."

What really annoys South Yorkshire, however, is not that the allegation told only half the story, but that it also overlooked a possibly more important fact: the county was paid for by the Manpower Services Commission, which also provided the labour, so the Government itself approved and financed it from the outset. Cries of "fool" do not end there: another Conservative attack on the metropolitan counties suggested wasteful extravagance in Manchester housing policies. Since it is the district councils, not the metropolitan counties, which are in charge of housing, Greater Manchester Council regards that allegation as a blow below the belt too.

## 'Only now is the organisation starting to move into gear'

West Yorkshire  
IAN HARGREAVES

THE OFFICIAL guide to the metropolitan county of West Yorkshire, a thick, business-like publication stuffed with advertisements by companies with names like Kirklees Axles and Redfarms Wire Products, begins its opening chapter under the heading: "The new county of West Yorkshire."

"Up here, the old county boroughs are still not reconciled to having their wider boundaries. Leeds is still trying to get rid of Wetherby," says Councillor John Gunnell, leader of the county council. "It was difficult for us to create an image as a county council, because people remember the old West Riding County Council, which was a much larger authority. But I believe we have succeeded."

Mr Rodney Brooke, West Yorkshire's chief executive, echoes Mr Gunnell's frustration at the threat of change so early in the life of the county authority. "The organisation is only really now starting to move into gear. In my view, to consider any change in local government structure, particularly change of an ad hoc kind, is wrong."

Mr Brooke argues that the authority is just entering a third five-year phase; what he calls the "managerial phase" in which tasks like computerising the accounts can be undertaken, and advantage

taken in policy terms of the links painstakingly built between the council and its communities clustered around the cities of Leeds, Bradford, Wakefield, Huddersfield, Dewsbury and Halifax. Instead, notes Mr Gunnell, he has just taken out of the estimates a figure to replace county hall's faltering central heating boiler. "It is very difficult to enthuse staff in the face of these things," says Mr Brooke.

## Diverse resources

The first two phases in the county's life, according to Mr Brooke's account, involved first cataloguing the diverse resources of the 55 local authorities which came together to form the county and dealing with the existence of 30 different staff bonus schemes. "We have still got 1,800 properties uninspected and some are still being notified to us, even now," he says.

Phase two involved rationalising these resources. Fourteen bus workshops became two; police and fire services got a single headquarters and command centre each. Now, says Mr Brooke, he is raring "really to attack the management of the operation and to get more value for money."

He is convinced that abolishing the metropolitan counties will, like the 1973 re-organisation, involve enormous transitional costs and substantial permanent extra costs.

These, according to a county study which has formed the basis of the met counties' case on the costs question so far,

suggest that abolition will produce an extra £8.1m in annual costs and between £20m and £30m in other costs, the largest component of which would be in staff severance payments. The Government sent three officials from Whitehall to vet West Yorkshire's figures, but they were not able to discover any exaggerations.

"What will happen," says Mr Gunnell, who like Mr Brooke is a leading figure in the campaign against abolition, "is that Patrick Jenkin will be committed to find savings, so he will find them by reducing transport subsidies which will mean higher fares and a cut in services."

West Yorkshire's style, like that of its leaders, is unfashionable and cautious compared with some of the other metropolitan counties. Although it suffered a small rate support grant penalty this year, current expenditure at £217m will be virtually unchanged from 1982-1983. Central services staff now number 7,840, down from 8,522 in 1975—a trend counter to that in a number of other authorities.

Partly this is a question of politics in that the Labour leadership of the authority is less far to the left than in neighbouring South Yorkshire and has, for example, pursued a much less expensive course in subsidising public transport. Partly it reflects the character of the county and the individuals who lead it.

There is, for example, a strong note of caution in the way the council has set up its own enterprise board, on the model of those in London and the West Midlands. It has, says

Mr Gunnell, handed executive control to professional investment managers and followed their advice so far, one aspect of which has been to restrict the maximum investment in any company to £300,000 and to not more than one third of the capital required.

## Board too cautious?

The board claims to have saved or created 600 jobs so far. Critics say the board has been excessively cautious—an accusation levelled at the council on a number of issues, especially by Labour councillors in some of the metropolitan districts.

A degree of political restraint also arises from the fact that the largest district in West Yorkshire, Leeds, has shown little enthusiasm for the new authority and many in the ruling Labour group hanker after the days when Leeds ran most of its own services. "The leaders would be glad to see us go," says Mr Gunnell.

Another local argument against abolition is the Gunnell-Brooke analysis is that the county performs an equilibrating action in favour of the declining wool towns of the east of West Yorkshire and the wealthier territory of Leeds, Wetherby, Postlethwaite and Wakefield in the east.

County planning powers, says Mr Brooke, are vital to ensure that all the area's major shopping development is not confined to Leeds. The county also acts as a planning arbiter in mundane but sensitive questions of greenbelt planning application, sites for aggregate extraction and tip locations.

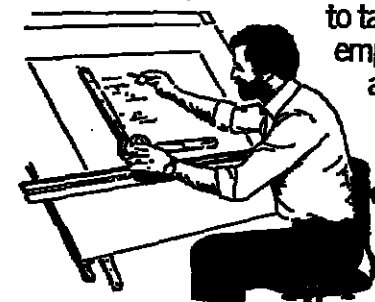
## 1984 is edging closer

1984—the year Central Government plans to bring in legislation to sweep away ten years of local democratic development by abolishing the Metropolitan County Councils which, including London, represent the interests of over 17 million people.

The Government's White Paper outlining its plans threatens the end of everything we have striven for since 1974.

Has the Government really thought of the consequences of abolition—or even looked at the achievements of the Metropolitan County Councils?

During the past 10 years South Yorkshire County Council has committed itself to tackling the real underlying problems of South Yorkshire—employment, environmental and social—in an overall way, as opposed to the piecemeal approach of the past.



The integration of strategic planning, highways planning and public transport was the key to this approach—indeed the very reasons for establishing the Metropolitan County Councils in the first place.

South Yorkshire is proud of its achievements and is determined to fight to keep the County Council working for the people.

South Yorkshire County Council has continually fought and worked to promote the interests of South Yorkshire and the 1.3 million people who live in the county.

The Government claims South Yorkshire County Council is unnecessary.

—Look at our achievements:

A progressive transport policy bringing a 7% increase in passengers, against national trends. It reduces town centre congestion, pollution, provides a mobile workforce and improves the quality of life.

An imaginative environmental policy bringing nearly 1,000 acres of derelict land into life for the enjoyment and prosperity of the people. It repairs the ravages of 200 years of neglect and industrial development.



A commitment to public protection with substantial resources for police, fire, probation, consumer protection and the many needs of the community.

Employment Development schemes to help provide jobs and lessen the effects of the economic recession.

New factory units, financial incentives, business advice and youth training all link to help business and industry. Our schemes have attracted massive grant aid from the EEC for projects like the South Yorkshire canal renovation to bring a commercial waterway to the heart of the County.

And that's not all. Recreation, Culture and Health, Waste Disposal, Highways etc. all have been developed by a County Council committed to providing the best possible services for all the 1.3 million people in South Yorkshire.

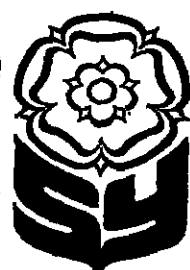
This is why the Government is wrong—we are necessary.

South Yorkshire County Council is proud of its results and we have produced a booklet which tells the story of South Yorkshire and its achievements.

If you would like to find out how we have improved the living and working conditions for over 1.3 million people please contact:

Public Relations Department, South Yorkshire County Council, County Hall, Barnsley, South Yorkshire S70 2TN Telephone (0226) 86141

**South Yorkshire  
County Council**  
SERVING 1.3 MILLION PEOPLE





## METROPOLITAN COUNTIES VIII

# The battle goes on over accountability

## Police

IAN HARGREAVES

THE LATEST reorganisation of local government comes at a tricky time for Britain's police forces, which are still, in varying ways and at varying paces, absorbed with the sea-change in policing philosophy which began in the late 1970s, and which captured public attention after the Scarman Report on the 1981 riots.

The outstanding theme of this debate has concerned police accountability to the public, under the catchphrase "policing by consent".

As police manpower in most forces rose towards authorised establishment levels — helped by the police pay policy of the first Thatcher administration — chief constables came under increasing pressure to put more men on the beat. Some chief constables responded by embracing this as an opportunity for a new form of "community policing"; others saw it as a renewed emphasis upon "groundcover" which made impossible in earlier years.

The police authorities in the six metropolitan counties were always bound to be important participants in these changes since they cover the areas of Britain with the highest levels of crime and the highest levels of social stress. In attempting to increase the scope of their activities, they were responding not only to changed public perceptions about the police, but to a change in Government policy.

As Mr Whitelaw, now Viscount Whitelaw, put it in 1980, during his term as Home Secretary: "Police authorities should see themselves not just as providers of resources but as a means whereby the chief constable can give account of his policing policy to the democratically elected representatives of the community and, in turn, they can express to him the views of the community on these policies."

After the riots and Lord

Scarman's criticism of poor police-community relations efforts, the pressure increased further and the Home Office instructed chief constables to set up an additional tier of contact with the public in the form of police-community liaison committees.

It is as unfortunate as it was inevitable that it should be the public disagreements and tensions over this policy of more open police government which should have attracted most attention since 1980.

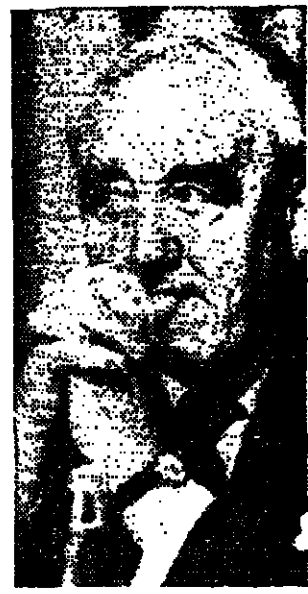
Both the Greater Manchester and Merseyside police authorities have had had-tempered brushes with their chief constables over the aftermath of the riots, the provision to their forces of anti-riot equipment, such as plastic bullets and CS gas, and, in the case of the Merseyside force, over the use of armed units in specific operations.

Temperatures have also run high in London, where the Left-wing GLC has fought a hard campaign to replace the Home Secretary as police authority for the Metropolitan Police. Several Labour-led London boroughs, supporting the GLC line, have refused to set up police-community liaison committees, arguing that they want instead their own fully-fledged police authorities, with control over budget and a say in operational procedures.

Although this campaign has been unsuccessful — indeed its vigour has without much doubt contributed to the disfavour with which the Government views the GLC — it did succeed in pushing the Labour Party to a firm commitment to take the metropolitan police out of the Home Secretary's hands at the earliest opportunity.

Beyond these headlines, however, there have been wide-spread changes. A good example is West Yorkshire where in June the new chief constable, Mr Colin Sampson, published a detailed statement on strategy for the county's police committee, and opened up a period of detailed consultation about its contents.

The report says that "proper consultation at all levels" is essential and goes on to suggest increased foot patrols, more crime prevention work, more focus on the crimes which affect



Viscount Whitelaw, former Home Secretary, believes police authorities should be used as a forum for communication



Mrs Margaret Simey, who chairs the Mersey Police Authority: "There has to be political control"

most people, such as burglary, and instructions to traffic officers to deal with all but the more serious offences by advice and guidance.

Mr Sampson also wants to train his men to communicate better and to set up "police shops" in urban centres where there is no administrative police centre.

Mrs Margaret Simey, who chairs the Merseyside Police Authority, argues that her committee has only brushed so badly with Mr Kenneth Oxford, the chief constable, because it has tried to exercise its powers in the way suggested by Government. "We are trying to set value for money. The police are not at all cost-conscious, you know. There has to be political control," she says. The police account for almost one third of Merseyside's current spending.

### Control lost

Mr Sidney Moss, a Conservative council member, who was chairman of the Merseyside Police Authority before his party lost political control in 1981, is a committed abolitionist so far as the county council is concerned, but like many Conservatives would prefer to see a less openly political aspect to the police committee.

It may turn out that Mr Moss will get what he wants in the sense that the role of the non-political members of police authorities — the magistrates — is bound to be strengthened under the indirectly elected police boards proposed by the Government.

Under the present system, county police committees consist of one third magistrates and

two thirds county councillors, but in several cases, including Merseyside, the ruling party has used its strength to nominate sufficient of its own members to the police committee to outvote the combined weight of the magistrates and the Conservative opposition.

Although the composition of the new police boards is technically the same as the existing police committees — one third/two thirds — the process of nomination via the district councils looks likely to produce a majority for any Tory-magistrate voting alliance, at least in the four counties which traditionally change hands at elections; Merseyside, West Midlands, West Yorkshire and Greater Manchester.

Given the strength of feeling on police questions, this could become an emotive issue.

The police view of all these questions remains somewhat obscure since the various associations and certainly individual chief constables are taking the view that they should remain silent on an essentially political matter.

In practice, their views vary considerably. Some chief constables would be delighted to see their run-of-the-mill Labour-controlled police committees neutered and have no doubt said so privately in the right quarters. Others feel the tender plant of greater accountability will suffer unnecessarily as a result of the reorganisation.

About one thing, however, police opinion is probably unanimous; that is relief that the reorganisation will not this time involve another disruptive change in boundaries.

John Gummell, West Yorks leader, argues the counties' case

# Why an inquiry is essential

"I AM a Tory. I have always believed that the burden of proof is upon those who advocate change. Without satisfactory proof, there should be no change."

Last week in Blackpool Patrick Jenkin used those words to justify to his audience the government abandonment of the search for an alternative to the rating system. He went on to make clear that the proposals to abolish the GLC and the metropolitan county councils was the alternative the government was offering as a solution to the problem of financing the "overriding" on police services — though the home office is still urging recruitment and development.

Office directly finances the police service, the GRE between 1981-82 and 1982-83 was increased by 23 per cent to reflect the actual increase in spending. In metropolitan counties with the same problems and similar increases in spending, the GRE was raised by 3 per cent. The metropolitan counties are therefore "overspending" on police services — though the home office is still urging recruitment and development.

## Metropolitan counties have achieved the economies of scale for which they were created

Metropolitan counties have achieved the economies of scale for which they were created. The trading standards service — vital for industry because it has an advantage in having consistent standards over a county-wide area — provides relevant evidence.

In the metropolitan counties the current expenditure per head of population per year is £8.4p and in the shire counties £5.5p. By contrast the London boroughs, which have the only fragmented service in the country, are spending 168.5p. Even Wandsworth, a model of Tory economy, spends 139.9p.

Metropolitan counties, able to spread their size to provide a specialist rather than a generic service, are responsible for most of the innovative work in trading standards in the country. We can show that, in West Yorkshire, to provide the current level of service on a district basis would require a budget increase from £1.5m to £3.5m.

The counties have also rationalised their inherited administration and workforce, again demonstrating the financial benefits of the present structure.

Inheriting staff and equipment from as many as 33 authorities in 1974 was a nightmare in West Yorkshire. Now conditions of service have been standardised and some 1,200 fewer staff are employed. Similarly we began with three public analyst laboratories employing 31 staff. Now with one laboratory 21 staff provide a greater volume of higher quality work.

Clearly the county structure can save money in the provision of services. The White Paper acknowledges this: there are no costs — the £130m savings claimed before the election has vanished.

Indeed the £165m one-off and £45m annual costs of reorganisation estimated by the metropolitan counties now looks to be a conservative underestimate of the direct costs of change.

Having lost the debate on intrinsic costs the Government's focus of argument is changed to the role of the metropolitan counties. Is our strategic role valid — or is it invented, as Jenkin claims? If it is a proper role, are we fulfilling it?

There is no doubt at all that the roles of both advocate and strategist were envisaged in the 1973 legislation. Our authorities were set up specifically to do this job and the debate at the time was not so much that this job needed to be done as

to decide which areas were genuinely metropolitan.

It is certain that the creation of one agency to handle all aspects of transport in a region has had real benefits. Not only is the transport policies and programmes system the one area of genuine forward planning in local expenditure but most of the imaginative schemes praised in the recent White Paper, "Police for Roads," are taking place in metropolitan county areas — computerised traffic control in West Yorkshire, innovative parking schemes in Greater Manchester, environmental impact assessment in several metropolitan counties.

The past 10 years have seen the strategic advice fulfilled, dramatically in major schemes like the Tyne and Wear Metro and South Yorkshire Navigation but also in the rationalisation of inherited highway programmes with hundreds of millions of pounds of schemes eliminated after a proper county-wide assessment of needs — schemes which would still be causing blight if viewed only on an individual district basis.

The clearest tribute to the county's advice of new organs the White Paper proposes as their replacement. Five separate arrangements are made to attempt to retain county-wide co-ordinated services. The most important functions, police, fire, public transport, probation and maybe waste disposal are to go to precepting joint boards. Joint committees, somehow expected to work efficiently by voluntary agreements, get a number of services. The largest district is expected to provide a county service in six other areas. The department of transport takes the highways capital programme and shire counties are asked to take over smallholdings and responsibility for animal health.

## Savings are promised in the White Paper but they can only be achieved by drastic cuts in services

It is facile to believe, however, that joint grouping will be as effective as counties. On a joint group each member represents the needs of his district, no one is there to serve the county as a whole. Policy will be made by inter-district deals and will never be put to the electorate. Joint arrangements will not attract the most able and ambitious councillors who will prefer to stay with service areas they control. Chairmanships will depend not on ability but on the relative power of the individual districts. Majorities will be cobbled to the advantage of some areas. It is a recipe for poor and ineffective government.

Prospects for the ratepayer are poor too. Rather than three precepts (county, district, water) he or she can expect at least five (district, water, police, fire, public transport) and maybe seven (add probation and waste disposal). Will industry and commerce have seven different consultations? Or will they meet with the only accountable body — the district council. Savings are promised but can only be achieved by drastic cuts in service through the promised iron



JOHN GUMMELL, 50 (above), is considered an unusual creature among his fellow metropolitan county leaders in that he manages to combine his political task with a full time job. He is a lecturer at the centre for studies in our local mathematics education at Leeds University and has written text books on the subject. His career has taken in hospital portering at St Bartholomew's Hospital in London, and a spell as head of science at the United Nations school in New York. He lives in a council flat in the Hunslet area of Leeds, which is also his political constituency. He is on the centre left in Labour Party terms.

central control of budgets by the Secretary of State.

Perhaps the gravest warning of the White Paper is its indication of the Government's scant respect for democratic principles. To cancel the 1985 elections is serious enough — but to seek parliamentary approval to remove elected bodies and replace them with a nominated quango before Parliament has determined the future of the councils themselves is unconstitutional.

I am amused to learn that my authority is "Marxist-led" but the joke soon when it comes from those whose actions suggest that it is a more effective parliamentary democracy can be treated with disdain.

Earlier this year I became one of the first members of the new Audit Commission. It is totally inconsistent to set up a body for the prime purpose of promoting economy, efficiency and effectiveness in local government, and then propose to earthquake the existing structure without consideration of those same principles.

The commission has a valid and valuable job to do. It will bring about savings. But it will take years, perhaps until the end of the century, for those savings to come near to matching the costs of abolition.

The metropolitan counties do not regard the present structure as sacred. If a more effective, more efficient, less costly and equally accountable structure can be provided then we should change. But this hotchpotch of councillor quangos and committees working through voluntary co-operation and mutual respect cannot work. Does anyone believe they are an improvement on present structures?

The burden of proof is missing. If Patrick Jenkin really believes in proof then he should order a full inquiry into the structure and financing of local government.

## FINANCIAL TIMES

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# The Government's case for change

## Extracts from the White Paper

THE BASIC principle of earlier reorganisations was that a two-tier system of local government was necessary in all areas of the country. There was thought to be a need — and a worthwhile job — for two operational authorities in every area: a lower tier providing essentially local services, and an upper tier dealing with functions needing a wider area of administration. This pattern does embody a practical reality outside the metropolitan areas where the situation — and hence the distribution of functions between the two tiers — is different. In shire counties the major providers of services are the county councils; on average, shire county councils have budgets 50 times the size of those of shire district councils and are responsible for 87 per cent of the total expenditure on local services in their areas.

In metropolitan areas the position is reversed; the London borough councils and the metropolitan district councils are the major providers, and the GLC and the MCCs are responsible for 18 per cent and 26 per cent respectively of the total expenditure on local services in their areas. In two cases a MCC spends less than the largest of the district councils within its area.

Thus, in the metropolitan areas, the borough and district councils are the primary local government units. They are responsible for the majority of local spending. They are big enough to have full responsibility for most local services; at

the same time, they meet the need for an authority to be accessible to the community that it serves.

The GLC and the MCCs, on the other hand, have full responsibility for only a limited number of services; in other words they share powers with the borough and district councils. The most important services which are the sole responsibility of the upper-tier authorities are police, fire, and public transport.

And for two of these — police and public transport — the county role is more limited than for most local authority services, as the responsibility for day-to-day operations lies elsewhere. In the London area, the GLC has never been a police authority; and, for reasons of transport planning, it is proposed that the GLC should no longer control the London Transport Executive.

### Real power

In this situation, the GLC and MCCs have found it difficult to establish a role for themselves. Most of the real power rests with the borough and district councils.

The upper-tier authorities have a large rate-base, and an apparently wider remit. This generates a natural search for a "strategic" role which may have little basis in real needs.

The Government believes that most of the functions at present exercised by the GLC and MCCs should become the direct responsibility of the borough or district councils. In some cases they will need to co-operate closely and to have informal arrangements for sharing costs, staff and facilities.

There are a few services for which statutory joint arrangements will be needed. This is not a new principle — there are

already areas in England where there are combined police authorities; and there were similar arrangements for public transport in some of the metropolitan areas in 1968-74. Where joint boards are needed to run services, they will be made up of elected councillors nominated by the borough and district councils, and will be accountable through them to their local electorates.

Since the GLC and MCCs were created, substantial amounts of human and financial resources have been devoted to building up county-wide services in these areas. It is not practical to dismantle these arrangements completely for every service.

In most such cases, the Government proposes to give the direct responsibility for the service to the borough and district councils, and to leave it to these authorities as to co-operate voluntarily as necessary. There are certain services which must continue to be provided on a county-wide basis and for which the Government proposes to create new statutory authorities: joint boards.

The borough and district councils already have responsibility for certain planning functions; and it is proposed that they should on abolition take over responsibility for the structure plan function at present carried out by the GLC and MCCs.

The borough and district councils will take over responsibility for highways and traffic management.

The responsibilities of the GLC and MCCs for waste regulation and disposal will be transferred to the borough and district councils.

The MCCs are responsible for administering food composition and labelling require-

ments; animal health legislation; and trading standards and consumer protection legislation. These functions will pass to the district councils. Government will look to the borough and district councils to take over the GLC's and MCCs' responsibilities and interests in the arts.

### Police services

The MCCs are responsible for the provision of police services in their areas through the police authorities, which consists of two-thirds county councillors and one-third magistrates. Government are satisfied that the present general structure of police authorities is working well, and that it would not be appropriate now to consider breaking up existing police forces. After abolition, the present police authorities will accordingly be replaced by new combined authorities, ie joint boards, consisting of district council representatives and magistrates as before.

The Government believes that the present fire service organisation in the metropolitan counties and in Greater London is broadly appropriate on both operational and cost grounds, and the existing brigades will be retained. In each metropolitan county a joint board of district council nominees will become the fire authority. In London, a joint board will also be required.

Before the creation of the MCCs, public transport in most of the metropolitan areas was provided by passenger transport executives operating under the direction of passenger transport authorities, which comprised members of the lower-tier authorities. The Government has decided to revert to this arrangement.

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